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COMMITTEE ON PUBLIC UNDERTAKINGS
(1973-74)

(FIFTH LOK SABHA)

FORTIETH REPORT

ROLE AND ACHIEVEMENTS OF PUBLIC UNDERTAKINGS

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COMMITTEE ON PUBLIC UNDERTAKINGS
(1973—74)

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Shrimati Subhadra Joshi

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Shri Avtar Singh Rikhy—*Joint Secretary.*

Shri M. A. Soundararajan—*Deputy Secretary.*

Shri M. N. Kaul—*Under Secretary.*

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*Shri Nawal Kishore Sharma acted as Chairman during the absence abroad of Shrimati Subhadra Joshi from 16th May to 11th July, 1973.

STUDY GROUP I ON HORIZONTAL STUDY

(1973—74)

1. Smt. Purabi Mukhopadhyay—*Convener*
2. Dr. Sankta Prasad—*Alternate Convener*
3. Shri Ramavtar Shastri—*Member*
4. Shri Lal K. Advani—*Member*
5. Shri Nawal Kishore Sharma—*Member*

INTRODUCTION

I, the Chairman, Committee on Public Undertakings, having been authorised by the Committee to submit the Report on their behalf, present this Fortieth Report on 'Role and Achievements of Public Undertakings'.

2. The subject was examined by the Committee on Public Undertakings (1972-73). The Committee called for preliminary material from 103 public undertakings in 1972. The Committee also received memoranda from some non-officials and non-official organisations in 1972. That Committee took evidence of the following non-official and representatives of non-official Organisations on the 13th, 14th and 19th December, 1972 and 12th January, 1973:—

(1) National Productivity Council, New Delhi.

(2) All India Manufacturers' Organisation, Bombay.

(3) Federation of Associations of Small Industries of India, New Delhi.

(4) Shri P. L. Tandon, former Chairman of the State Trading Corporation of India.

3. The Committee (1972-73) selected the following nine leading undertakings for detailed examination and took evidence of their representatives on the 11th and 12th January, 1973:—

(1) Central Warehousing Corporation.

(2) Fertilizer Corporation of India Ltd.

(3) Heavy Engineering Corporation Ltd.

(4) Hindustan Photo Films Mfg. Co.

(5) Hindustan Shipyard Ltd.

(6) Hindustan Steel Ltd.

(7) Indian Drugs and Pharmaceuticals Ltd.

(8) Life Insurance Corporation of India.

(9) State Trading Corporation of India Ltd.

4. This was followed by the evidence of the officials of the following Ministries of the Government of India:—

(1) Ministry of Agriculture.

(2) Ministry of Finance.

(3) Ministry of Foreign Trade.

(4) Ministry of Industrial Development.

(5) Ministry of Petroleum & Chemicals.

(6) Ministry of Shipping and Transport.

(7) Ministry of Steel & Mines.

(8) Bureau of Public Enterprises.

5. The Committe on Public Undertakings (1973-74) finalised the draft report after obtaining and examining Memoranda from some All India Trade Unions and labour unions of selected public undertakings.

6. The Draft Report was considered by Study Group I of the Committee on the 20th and 22nd August, 1973.

7. The Draft Report as revised by Study Group I was considered by the Committee at their sittings held on 30th and 31st August, 1st and 3rd September, 1973.

8. The Committee wish to express their thanks to the various Ministries, Public Undertakings, non-officials, non-official organisations, All India Trade Unions and labour unions for placing before them the material and information on the subject. They wish to thank in particular the non-official, representatives of non-official organisations, public undertakings and officers of the Ministries/ Departments who gave evidence and placed their considered views before the Committee.

NEW DELHI;
September 3, 1973
Bhadra 12, 1895 (S)

SUBHADRA JOSHI,
Chairman,
Committee on Public Undertakings.

INTRODUCTORY

1. The Constitution of India in its Directive Principles of State Policy has stated that "the State shall strive to promote the welfare of the people by securing and protecting as effectively as it may, a social order in which justice, social, economic and political shall inform all the institutions of national life". Article 39 of the Constitution also provides *inter alia* that "the State shall in particular direct its policy towards securing that the ownership and control of the material resources of the community are so distributed as best to subserve the common good" and that "the operation of economic system does not result in the concentration of wealth and means of production to the common detriment". These principles found expression in the Industrial Policy Resolution of 1948 and in the Industrial Policy Resolution of 1956.

2. As India became free it was faced with the colossal task of covering a wide gap in the development of science and technology. Almost two centuries of revolutionary scientific and technological development had passed by as the country was chained in imperialist thraldom. The Indian industry was at a primitive stage, the country depending heavily on imports, even for ordinary needs. A large country with a large population could not hope to make progress and stand with its head high in modern times by slow process of growth. The task was beyond the calibre and capacity of individual entrepreneurs. It was not possible for the private sector to go into areas where large investments were required and where gestation period was expected to be pretty long. This was the experience even before independence when provision of services like Railways, Posts and Telegraphs, Ordnance Factories, the Locomotive Factories and Fertilisers had to be started in the governmental sector because private capital was either not available or was not prepared to come forward to invest where heavy risks were involved. Considerations of public weal and quick growth did not warrant that a democratic Government committed to a rapid economic growth on principles of economic justice should wait for private sector to be prepared for investments in basic industries like steel, electricity, heavy engineering, aeronautics, etc.

3. Moreover, public sector would not be run merely for profit. It would be utilised in pioneering work, as also for correcting regional imbalances in the economy. The development of public sector was, therefore, undertaken not only for economic growth but also for

promoting social justice. Nevertheless, the framers of Industrial Policy did not consider public sector as a competitor or rival of private sector. In fact, it was not ruled out that public sector would even help in the expansion of private sector.

4. The Committee on Public Undertakings took up the present study of the role and achievements of public sector within the framework of the Policy Resolutions of Government. The Committee on Public Undertakings has been unsparing in its scrutiny and criticism of the functioning of the various undertakings as is evident from the several reports prepared over the years. It was, however, felt that an assessment of the role that the Public Sector has played in the development of national economy would not only be not out of place but a necessary complement to the several reports submitted by the Committee. If we overlook the positive side, which is not in any way insignificant, we are bound to have a lop-sided view of the Public Sector the policy implications of which are likely to be far from desirable.

5. A comprehensive and scientific study of the role and achievement of public sector would have meant a progressive analysis of the situation from 1947 till today. The Committee, however, preferred to focus on a few undertakings only as a sample. The present study has, therefore, to be looked upon more as a pioneering effort to be further pursued than as a comprehensive document.

6. Undoubtedly there is much scope for improvement in the functioning of the various undertakings, even in those where the efficiency rate is fairly satisfactory. A lot of experience has been gained over the years by the Government and it has to be noted that serious efforts are being made to improve the situation. The fact that even the Prime Minister has from time to time pointed out the need for greater efficiency in the public sector is evidence enough of the awareness at the governmental level about improving things.

7. Yet we shall be less than fair if we stop just at pointing out the defects whether of planning or of management. Still more unfair is the tendency to pit public sector against private sector while measuring profitability. Apart from the profits in terms of surpluses it has to be understood that public sector makes a substantial contribution to the exchequer in the form of various taxes. Secondly, the contribution of public sector to social and national good in terms of starting industrial units of vital importance with long gestation period cannot be forgotten. In fact when the problem is looked upon purely from the point of view of financial profits in the

public sector a case can be made for its entry into more profitable areas which are at present being controlled by private sector. This report has shown that public sector has considerably grown from a total investment of Rs. 29 crores in the first five year plan to over five thousand crores today. It has gone into many new areas like export and import trade, manufacture of photo films, paper, cement, printing presses, watches and so on. In several sectors it has shown a fairly high order of standardization and quality control. It has been able to develop necessary stkills and technical know-how at all levels in many vital sectors of industries. The contribution of public sector to research and development is larger than in the other sector. The dispersal of various undertakings has brought prosperity to many backward areas and provided employment. It is beyond doubt that if public sector had not been launched the industrial growth that we are witnessing today would not have been possible and the long strides taken towards self-sufficiency in many key industries would not have been there.

CHAPTER I

ROLE OF PUBLIC SECTOR

A. Role assigned to Public Sector in the Industrial Policy Resolutions

The setting up of public enterprises in India has proceeded in accordance with the industrial policy of the Government embodied in the two Resolutions issued in April, 1948 and April, 1956.

1.2. The Industrial Policy Resolution of 1948 called for a dynamic national policy directed "to a continuous increase in production by all possible means, side by side with measures to secure its equitable distribution." For implementing that policy, the Resolution stressed the need for "the State to play a progressively active role in the development of industries". The resolution made it clear that 'for some time to come, the State could contribute more quickly to the increase of national wealth by expanding its present activities where it is already operating and by concentrating on new units of production in other fields, rather than on acquiring and runnig existing units'. It was indicated that "meanwhile, private enterprise properly directed and regulated, has a valuable role to play". The public and private sectors were thus given complementary roles in promoting industrial development. The manufacture of arms and ammunition, the production and control of atomic energy, and the ownership and management of railways were to be the exclusive monopoly of the Central Government. Responsibility for setting up new undertakings was reserved to the State in the following six basic industries—except where, in the national interest, the State itself found it necessary to secure the cooperation of private enterprise:—

(1) Coal,

(2) Iron and Steel,

(3) Aircraft manufacture,

(4) Ship-building,

(5) Mineral oils,

(6) Manufacture of telephone, telegraph and wireless apparatus (excluding radio receiving sets).

1.3. The need for further amplification of this policy and for extending the scope and coverage of the public sector arose due to subsequent developments in the political and economic spheres. The

Directive Principles of State Policy enshrined in the Constitution adopted in January 1950 indicated the socio-economic goals towards which the efforts of the State were to be oriented. In the light of these principles, planning for economic development assumed special importance. A national Planning Commission was accordigly set up in March, 1950 and the nation's First Five Year Plan was finalised by the end of 1952. While the First Plan was under implementation, the pursuit of a socialist pattern of society was accepted by Parliament as the principal objective of social and economic policy. With the completion of the First Five Year Plan, it became clear that there was urgent need for accelerating the pace of economic development through the expansion, among others of heavy industries. Taking these changes and needs into account, Government reformulated their industrial policy in April, 1956.

1.4. The Resolution of 1956 declared that: "The adoption of the socialist pattern of society as the national objective, as well as the need for planned and rapid development, require that all industries of basic and strategic importance, or in the nature of public utility services, should be in the public sector. Other industries which are essential and require investment on a scale which only the State, in the present circumstances, could provide, have also to be in the public sector. The State has, therefore, to assume direct responsibility for the future development of industries over a wider area."

1.5. The revised Industrial Policy of 1956 Resolution classified industries into three categories having regard to the part which the State would play in each of them. In the first category were placed the industries, the future development of which was to be the exclusive responsibility of the State (Schedule A). The second category consisted of industries which would be progressively State-owned and in which the State would, therefore, generally take the initiative in establishing new undertakings, but in which private enterprise would also be expected to supplement the effort of the State (Schedule B). The third category included all the remaining industries where future development would generally be left to the initiative and enterprise in the private sector. The following industries were placed in the first and second categories:—

SCHEDULE 'A'

(1) Arms and ammunition and allied items of defence equipment.

(2) Atomic energy.

(3) Iron and Steel.

(4) Heavy castings and forgings of iron and steel.

(5) Heavy Plant and Machinery required for iron and steel production, for mining, for machine tool manufacture and for such other basic industries as may be specified by the Central Government.

(6) Heavy Electrical plant including large hydraulic and steam turbines.

(7) Coal and lignite.

(8) Mineral oils.

(9) Mining of iron ore, manganese ore, chrome ore, gypsum, sulphur, gold and diamond.

(10) Mining and processing of copper, lead, zinc, tin,, molybdenum and wolfram.

(11) Minerals specified in the Schedule to the Atomic Energy (Control of Production and use) Order, 1953.

(12) Aircraft.

(13) Air transport.

(14) Railway transport.

(15) Shipbuilding.

(16) Telephones and telephone cables, telegraph and wireless apparatus (excluding radio receiving sets).

(17) Generation and distribution of Electricity.

SCHEDULE 'B'

(1) All other minerals except "minor minerals" as defined in Section 3 of the Minerals Concession Rules, 1949.

(2) Aluminium and other non-ferrous metals not included in Schedule 'A'.

(3) Machine Tools.

(4) Ferro-alloys and tool steels.

(5) Basic and intermediate products required by chemical industries such as the manufacture of drugs, dyestuffs and plastics.

(6) Antibiotics and other essential drugs.

(7) Fertilizers.

(8) Synthetic rubber.

(9) Carbonisation of coal.

(10) Chemical pulp.

(11) Road transport.

(12) Sea transport.

1.6. The Resolution made it clear that "the division of industries into separate categories does not imply that they are being placed in watertight compartments. Inevitably, there will not only be an area of overlapping but also a great deal of dovetailing between industries in the private and the public sectors. It will be open to the State to start any industry not included in Schedule 'A' and Schedule 'B' when the needs of planning so require or there are other important reasons for it."

Stressing the complementary role of both the sectors, the Resolution declared "further, heavy industries in the public sector may obtain some of their requirements of lighter components from the private sector, while the private sector in turn would rely for many of its needs on the public sector. The same principle would apply with even greater force to the relationship between large scale and small scale industries."

1.7. Other aims stipulated in the Resolution of 1956 were:—

(i) reduction of disparities in income and wealth and to prevent private monopolies and the concentration of economic power in different fields in the hands of small number of individuals;

(ii) increasing opportunities for gainful employment and improving living standards and working conditions for the mass of the people;

(iii) encouragement to cottage and village and small scale industries;

(iv) progress in reduction of regional development;

(v) improvement of living and working conditions of workers and raising the standard of their efficiency;

(vi) public enterprises should augment the revenue of the State and provide resources for further development in fresh fields.

1.8. The Industrial Licensing Policy of 18th February, 1970, formulated in the context of the Fourth Plan preceded the coming into effect of the Monopolies and Restrictive Trade Practices Act, 1969.

On 2nd February, 1973, Government of India announced a modified industrial licensing policy. In order to remove unnecessary uncertainty, Government published a consolidated list of industries which are open, along with other applicants, for the participation of larger industrial houses and branches and subsidiaries of foreign companies. The list includes core industries of importance to the national economy in the future, industries having direct linkages with such core industries, and industries with a long term export potential. Such items in the list as are reserved for manufacture in the public sector under Schedule A to the Industrial Policy Resolution 1956, or for production in the small-scale sector, as may be notified from time to time, will be excluded from the application of the list. At the same time, the definition of the larger houses, as contained in the Industrial Licensing Policy of 1970, has been modified to bring it in conformity with the definition contained in the Monopolies and Restrictive Trade Practices Act, 1969. Thus, hereafter, larger houses for purposes of industrial licensing policy will be considered as those undertakings whose assets, along with assets of interconnected undertakings, are not less than Rs. 20 crores. In order to restrict entry of large undertakings into areas that are primarily meant for small, medium and new entrepreneurs, it has been decided that the exemption limit from licensing provisions which now applies to substantial expansions and new undertakings upto Rupees one crore by way of fixed assets, will not apply to existing licensed or registered undertakings having fixed assets exceeding Rs. 5 crores. Government have indicated that the existing policy of reservation for the small scale sector will be continued and it was proposed to expand the area of such reservation, consistent with the performance and potentialities of the small scale sector.

The new policy of Government specificially declares that larger houses, dominent undertakings and foreign companies will not be allowed to use the joint sector to enter industries from which they are to be otherwise excluded. In all joint sector units, Government will ensure for itself "an effective role in guiding policies, management and operations."

B. Pivotal Role of Public Sector

1.9. The role of the public sector had been summarised by the Prime Minister in her speech at the Conference of heads of public sector undertakings on July 19, 1969 as under:—

> "The public sector occupies a pivotal role in our economic strategy. From the beginning it has been recognised that the public sector would necessarily have to venture into difficult and capital intensive fields of basic industry which the private sector had shunned for long. This has been done boldly and sometimes in the teeth of opposition. I think we can say with justifiable pride that the sinews of our strength, though it may be modest by the standards of the Western countries, lie largely in our public enterprises."

1.10. In their Memorandum furnished to the Committee, the All India Manufacturers Organisation, Bombay had expressed the view that "the role of Public Sector undertakings should be that of a pace setter in basic and strategic industries." During the evidence of that organisation the Committee enquired whether what was meant by public sector being a "Pace setter" was that the State should put up an industry and when the infrastructure was ready, leave that industry to the private sector, the representative of the Organisation said "we are using this term in economic sense of it. Our emphasis is on organizational aspect of its efficiency. It should be result oriented that is more important."

1.11. Asked whether public sector should confine itself to basic or strategic industries because these were capital intensive industries with long gestation periods and the private sector was not prepared to risk its financial resources on industries in respect of which the return on investment was low, the representative of AIMO stated:—

> "Our organisation has all along supported the existence of public sector but qualified with one object that they should run efficiently, they should utilise their capacity fully, they should be organised like any other commercial concern. About the investment point you are correct. As far as the gestation period or time factor is concerned, I for one believe in this. This is not because label of public sector is there but the administrative difficulties that have been put in their way and it is on that account that longer period is required in its completion. The men at the top

> level do not have authority or the responsibility to see that this is done in a commercial manner in a shortest possible period in a most economic manner and they got to go through all the paraphernalia and formalities. It is this which is time consuming."

1.12. During their evidence the representative of the Federation of Associations of Small Industries of India, New Delhi expressed the view that while the public sector had been able to create an infrastructure, save foreign exchange and develop indigenous technology, it had not developed the Small sector to the extent one expected.

1.13. During the course of their evidence the representatives of leading public undertakings agreed that the role of public sector should be that of a pace setter in basic and strategic industries.

1.14. During evidence of Ministries, the Finance Secretary expreseed the folowing view:

> "I have no hesitation in replying that the role of a public sector undertaking is that of a pace setter in the basic and strategic industries. This Resolution (of 1956) is sufficiently flexible and wide in scope, so that although the industries have been classified into two schedules A and B, it has made it quite clear that Government will take a flexible view. As I said, the role of the public sector should be that of a pace setter in basic and strategic industries, but there is no definition of basic or strategic industries. I personally think the time has come when we should clarify what we mean by basic and strategic industries or core industries."

1.15. On 30th March, 1973, the Minister of Petroleum and Chemicals announced in Lok Sabha that "the way things are moving, the oil Industry would be entirely in the hands of the public sector before long." It is estimated that by the end of the Fifth Plan, only 18 per cent of the refining capacity would remain with the three foreign Companies—Burmah Shell, ESSO and Caltax.

1.16. In the Memoranda furnished to the Committee while the Indian National Trade Union Congress (INTUC) has viewed the role of public sector as a national effort for the economic reconstruction of the nation and for "hastening the realisation of the socialist objectives", Bhartiya Mazdoor Sangh has referred to its demand for appointment of a National Commission on the pattern of Industrial ownership to determine the criteria for placing different industries under different pattern viz., regulated private sector, public sector, municipalisation, cooperativisation, joint sector, self employment, etc., and has opined that "it is not advisable to adopt doctrinaire approach. Our entire approach in this regard should be result oriented rather than "ism-oriented".

1.17. Hatia Kamgar Union of Heavy Engineering Corporation Ltd., considers that the role of public sector is to shift the economy of the country to "non-capitalist path of development."

1.18. The Talchar Fertilizer Workers Union has stated that public sector should "create self-generating, self-reliant, viable industrial and economic activity in our country" by radical change in the Industrial Policy Resolution and mixed economy concept practised in India.

1.19. The ISPAT Karamchari Sangh has expressed the view that "the role of Public Sector should be to invest in such sectors of Industry including Agriculture which have hitherto been allowed to remain unexploited or have been kept in the private sectors as a result of Government policy of keeping the mixed economy in the country." The Ispat Karamchari Sangh has also opined that "a time has come when a clear and concrete definition is to be given of the Role and objectives of Public Sector Undertakings."

1.20. The Committee note that by the Industrial Policy Resolution of 1948, the responsibility for setting up new undertakings was reserved to the State in six basic industries viz., Coal, Iron and Steel, Aircraft manufacture, Ship-building, Mineral Oils, manufacture of Telephone, Telegraph and Wireless Apparatus (excluding radio receiving sets). By its subsequent Resolution of 1956, Government expanded the role of public sector so as to include eleven other basic and strategic industries viz., **arms and ammunition, atomic energy, Heavy Castings and forgings of iron and steel, heavy plant and machinery, heavy electrical plant including hydraulic and steam turbines, mining, minerals, air and railway transport, Generation and distribution of electricity.**

The Industrial Policy Resolution of 1956 had settled the broad areas which should be the responsibility of the public sector. The Committee note that significant progress made in these key sectors constituting basic and strategic industries had laid the foundation for sound economic growth. The Committee suggest that Government may examine the matter and lay down as precisely as possible

in the Fifth Plan the role and targets of production to be attained by the public sector and the private sector—industry-wise—so as to remove any ambiguity and provide clear guidelines to all concerned.

C. Role in Consumer Industries

1.21. In a Memorandum furnished to the Committee, the All Indian Manufacturers Organisation expressed the view that 'besides basic industries, the public sector could enter mass consumption industries. However, the criteria here should not be quick return on investments, but the capacity to organise such industries in a manner which would make available supplies of mass consumption goods of acceptable quality in adequate quantities, offering the consumer a fair choice, without any preference or subsidy of any kind." During evidence representative of that Organisation, however, stated that:

> "It is the feeling or view of our organisation that they (i.e., public sector) should concentrate on the existing industries rather than try to spread their activities in numerous aspects. For example, in some of the fields where they have entered—I mean, into consumer industries the success they have achieved is not to the extent one would expect. Here, those who have experience at present would definitely, be able to play a much better role than those who enter now. Moreover, lack of flexibility in approach, by the public sector, particularly in a very sensitive field like that of the consumer goods where the taste, design, market, etc., may undergo change from time to time ,together with inability of the public sector to adjust their attitude accordingly might prove an adverse factor."

The witness expressed the view that operational results and utilisation of capacity in some of the consumer industries where public sector had already entered as, for example, cement and paper were not encouraging.

1.22. The Committee pointed out that the view expressed by A.I.M.O. during evidence that public sector should concentrate on existing industries was contrary to the view expressed by them earlier in their Memorandum wherein entry of public sector in the "mass consumption industries" had been favoured.

1.23. Giving evidence before the Committee, Shri P. L. Tandon, former Chairman of the State Trading Corporation expressed the following view:—

> "Coming from India's largest consumer industry—Hindustan Lever, to which I belonged until about five years ago, I would say that we should always look upon the public sector in the following way, as a broad policy but this again would be subject to variations. If you read into the need of the public sector, you must understand its catalytic effect. I would have public sector undertakings in all areas but they should be good examples to others in that area and not poor examples. As catalyst, I would introduce them also in the consumer area for two reasons. If that organisation is run well, it would set a good example for other organisations. Secondly, we would be able to introduce national policies through them rather than impose them upon the industry."

1.24. The Committee enquired whether looking at the thousands of varieties of consumer items like textiles, soaps, tooth pastes, etc., produced in the private sector, public sector's entry into consumer industry could be expected to put an end to that anarchy by bringing in an element of standardisation. Shri Tandon said in reply:—

> "Has the Super Bazar introduced a better standard of retail distribution? It can. But it does not necessarily mean that it will. That is why I may again say that wherever we introduce public sector, there is a moral duty for us to make sure that that organisation is a light house in that area."

1.25. In a Memorandum furnished to the Committee the Administrative Staff College of India, Hyderabad expressed the view that:—

> "(i) The Public Sector must also not hesitate to enter fields normally left to the Private Sector where it is found that the economy is being strangled by lack of development and growth due to paucity of expansion in the Private Sector. A typical example is the Paper Industry, where the Private Sector has not taken advantages offered for expansion, with the result that the country faces Paper famine at very high prices.
>
> (ii) The Public Sector should also be an instrument to discipline the Private Sector when the latter fails to conform

to the reasonable standards of social ethics. The Sugar industry is a typical example.

(iii) The Public Sector should not allow itself to become the means of supplying cheap processed raw materials, solely for the benefit of the Private Sector. The metal-forming industries in the Private Sector are taking full advantage of relatively cheap material available from the Public Sector, to earn enormous profit for itself. The wide margins between the price of finished steel and of steel products is now solely benefiting the Private Sector. The Public Sector should, therefore, emerge as a powerful factor in the area of finished steel products, both in order to discipline the private margins and to absorb a significant share of the profits available for purposes of re-investment for public purposes, rather than in Private interests.

(iv) The Public Sector should not be denied opportunities for investment in consumer industries which call for high levels of investments and technology not appropriate for medium and small scale ventures, instead of leaving these areas as the sole prerogative of the Private Sector. Public Sector investment in the manufacture of watches is certainly a step in the right direction, and is responsible for the benefits of reasonably priced watches being available in India today."

1.26. During evidence, the Special Secretary, Ministry of Industrial Development stated that because of limitations of resources, both human and financial, Government had adopted a "selective approach" to this question. He added:—

"My own view is, while remaining industries are to be developed by private entrepreneurs generally, Government would have to step in certain areas where the demands are not sufficiently met by the private sector. For example, take the tyre and tube industry. Foreign companies are dominating it. There is persistent shortage. The other areas where I feel public sector will have to step in is where we have already established certain capacities for production of basic and strategic material and where with a marginal adjustment we can produce consumer products. Such production would make the enterprise more viable like the G.E.C., or Siemens which manufacture big alternators or

> transformers but which also produce consumer items like cables, etc., which give them their bread and butter, as they call it."

Asked whether apart from food and cloth; public sector should also enter consumer industry like tooth brush or tooth paste, etc., which are used by the middle classes and where the prices had shot up, the Secretary, Ministry of Industrial Development stated in reply, "In other areas we do that to stabilise the prices."

1.27. The Committee enquired whether it is a fact that Indian Drugs and Pharmaceuticals, a public sector enterprise, manufactured basic drugs and that it were the private sector firms which made huge profits by preparing formulations out of those basic drugs. In reply the Secretary, Ministry of Petroleum and Chemicals stated:—

> "Some years ago, all the drugs now manufactured by the Public Sector were formulated by others including foreign companies than in existence but the basic drugs were imported from abroad. That was not good enough. As you know, the formulations are the really profitable items in the drug industry. Therefore, the private sector would not like to elect for the manufacture of bulk drugs, or the basic drugs but only for formulating the basic drugs and make profit. Therefore we decided to manufacture bulk drugs instead of importing them. Having achieved that, we are certainly thinking of allowing the public sector to increase formulation for the reason that we must go in for certain sectors in which quick profits can be made."

1.28. Secretary, Ministry of Steel and Mines expressed the following view:—

> "I think that certainly the Steel Authority of India should not confine itself merely to its basic objective although there is no getting away from the fact that its primary and basic duty is to enhance and increase steel production in the most economical manner and in the quickest possible time, so that we cut down our import and foreign exchange outgo. But I believe that is a matter of policy to be considered by the Committee and by Government, and we may discuss it, industries in which value is added on the basic commodities which the public sector produces, or at least some of these value-added industries should be identified and industries engaged in the basic commodities should embark upon them. I think that this is a thing which also we would certainly consider as part of our objectives

in the Steel Authority of India. There is no reason why we should only produce the basic steel and not add value to it in certain ways. We cannot proliferate, and, therefore, the spectrum would have to be narrowed down and the industries so selected should be carefully identified...."

1.29. In reply to Unstarred Question No. 331, the Minister of Industrial Development and Science and Technology stated in Lok Sabha on 21st February, 1973 that "it is one of Government's objectives to expand and extend the role of the public sector into new fields, including production of mass-consumption goods in which significant production gaps are likely to develop in the future." It was stated that "cooperatives and small and medium entrepreneurs will also be encouraged to participate in the production of mass-consumption goods."

1.30. In their memorandum furnished to the Committee while the Indian National Trade Union Congress expressed the view that public sector "should enter into consumer goods industries, particularly of mass consumption items, such as cloth, drugs etc. particularly industries which are labour intensive and which give quick returns on investment," Bhartiya Mazdoor Sangh has stated "in view of the present level of efficiency of public sector units and the general condition of our national economy, it would not be advisable to take our consumer industries in public sector, unless a special case is made out regarding the inefficiency or the anti-social policy of a particular industry."

1.31. Ispat Karamchari Sangh, Ranchi has observed, "it is a strange phenomena of Indian Economic thinking, that all the profitable industries are in the private sector, while those which yield little or no profit or having long gesation period, are in the public sector" and has suggested taking up of the manufacture of edible oils and vanaspati industries in the public sector. Ispat Karamchari Sangh has also suggested that "it should be the endeavour of the public sector undertakings to see that they do not become or operate as mere feeders to the private sector which are functioning in consumer industries and other key industries sectors but they become a partner in fulfilment of the national goals of economic democratisation........ It must nationalise the wholesale trade in the necessities of life...... Industries like Textiles, Sugar, Pharmaceuticals, Drugs, Cigarettes, Automobiles, Scooters, Cement must be nationalised."

1.32. The Fertilizer Corporation of India Employees Union, Hyderabad has observed that public sector has not been able to serve the cause of common man. For all his minimum daily necessities of life he has to depend on the private sector and has suggested that to make a beginning such industries may be started in edible oils, textiles, medicines, utencils, bicycles, soaps, cosmetics etc.

1.33. Hatia Kamgar Union, Ranchi is of the view that large consumer industries like cloth and sugar, oil industries should be immediately nationalised and public sector should enter consumer industries including Agro-based industries.

1.34. The Committee note that it is the Government's objective to expand and extend the role of the public sector into new fields, including production of mass-consumption goods in which significant production gaps exist or are likely to develop. During evidence, the Committee were informed by the Special Secretary, Ministry of Industrial Development that because of limitation of resources, both human and financial Government had adopted a 'selective approach' to this question and were already thinking of letting the public sector enter consumer industries like the tyre and the tube industry where the foreign companies were dominating and where there was persistent shortage. The representative added that public sector could also step in areas where certain capacities for production of basic and strategic industries had been established in the public sector and where with a marginal adjustment consumer products could be produced. This would give the basic industries what he called their 'bread and butter'. The representative of the Ministry of Industrial Development also agreed that in areas where prices of products had shot up, the public sector could enter to bring about stabilisation of prices. The Secretary, Ministry of Steel was of the view that basic and primary industries like steel could also consider embarking upon industries to which value could be added.

It has been urged before the Committee that in the context of expanding demand for consumer goods and persistent shortages, the public sector should progressively enter into mass consumption industries. The Committee are of the view that the public sector should extend itself to areas where we have established certain capacities for production of basic and strategic materials more particularly in areas which are dominated by foreign companies. They should be organised as a catalyst to set high examples to others and provide an effective means of regulating the prices in the interest of the public. The Committee would like Government to undertake a comprehensive study to identify areas of consumer industries which can be taken up in the public sector, keeping scrupulous regard for the interests of small and medium scale industries.

D. Role in Rehabilitation of Sick Mills

1.35. During oral evidence of Ministries, the Committee enquired why instead of taking up the manufacture of standard cloth in the public sector, sick textile mills were being taken over. In reply, the Finance Secretary stated:—

> "There are studies undertaken by the Textile Corporation of India which indicates that setting up of new mill would take about 6 or 7 times the cost. In every case, we have to satisfy ourselves, whether it would be possible to make sick mills viable. Often in the sick mills machinery and equipment is not bad and we are able to improve production by investing about 3 to 5 crores of rupees for modernising it. If you want to set up a new mill, it would cost many crores. I am comparing size to size. If you spend 15 crores on the new mill, you will be able to take 3 times the production by modernising three sick mills. This modernisation does not cost much of foreign exchange. The machinery is manufactured in the country. Secondly, if you want to set up new machinery, it may take three years to put it into production. By that time what happens to the employees who will be rendered unemployed? In that period of three years you may be able to solve the problem of unemployment especially when there is lot of unemployment. A sick mill can start production immediately after improvement which can be done in six months or a year."

1.36. The Secretary, Ministry of Steel & Mines referred to the problem of sick steel mills in the country and said:

> "There was a reference to sick mills. We in the Steel Authority of India will have to exercise ourselves in regard to these sick mills also. The IISCO also was a sick mill. It is not as if there are only sick textile mills but sick mills can be there in the iron and steel industry also. Government took over the management of this mill at a time when the production had fallen to an extremely low figure, but the production has definitely come up during the period for which it has operated under Government management. But this is an indication that there are large productive assets available which for various reasons of a historical nature, such as management and other matters, have come to a certain low ebb of operation. I think that Government's decision and policy to take these over in the national interest, firstly to sustain and maintain employment of the people who are

> working there, which is also an important factor, and secondly, to see that the productive assets are regenerated with a view to provide for the economy, whether it is textile or steel, is necessary and essential........ As far as I know, there is no proposal to take over the liabilities which may have accrued sometimes for reasons which may not be either correct or even ethical."

1.37. The Committee note that it is the Government's policy to take over 'sick mills' in the textile or other areas with a view to maintain employment of the people and optimum utilisation of the production assets in the national interest.

Pursuant to this, the National Textile Corporation has been able to re-open a number of Sick Textile units which had closed or were about to close down. The Committee would like Government to ensure that these units are re-organised on sound lines so as to become productive and viable assets and that the interests of labour are well protected. The Committee would also suggest that Government should see that the textile mills manufacture cloth to meet the requirements of the common man at most competitive rates.

The Committee are compelled to observe that Government should not allow themselves to be saddled with the problem of mills which are contrived into sick condition because of mismanagement. The Committee feel that it should be possible for Government to keep a strict watch on the performance of textile mills and take timely measures which would ensure their continued production in the interest of meeting the requirements of common man and obviating the chances of their becoming a liability to the public sector.

E. Financial, Economic and Social Objectives of Public Undertakings.

1.38. As far back as 1963, the Estimates Committee had, in para 248 of their 32nd Report (3rd Lok Sabha) on National Coal Development Corporation, recommended that broad principles regarding the financial and economic obligations of public undertakings in India should be laid down by Government. In reply, Government stated that generally it was well recognised that public undertakings should meet all their financial obligations over and above current expenditure, like payment of interest on loans, giving an adequate return on Capital employed, generating internal resources, etc. The undertakings should also keep in view social obligations like proper wage structure and charging reasonable prices. They have, however, considered it difficult to lay down any specific standards. After consideration of this reply, the Committee on Public Undertakings in para 15 of their 7th Report (3rd Lok Sabha) on NCDC reitereted the recommendation of the Estimates Committee and stated that the time has now come when Government should clearly enunciate the 'economic, financial and social responsibilities' of public undertakings so that they are well understood by the management of these undertakings.

1.39. In their 13th Report on Management and Administration of Public Undertakings, the Committee again drew attention of Governtment to the need "to indicate the specific objectives for whict it (*i.e.*, public undertaking) is being set up, the precise targets which it has to achieve and also indicate the time schedule for completion and the cost estimate". Thus, it was pointed out, that it "would not only serve as an incentive to the undertaking but also give Government a yardstick to measure its performance."

1.40. In their Report on Public Sector Undertakings (October, 1967), the Administrative Reforms Commission also dealt with this question and recommended:—

> "We recommend that Government should make a comprehensive and clear statement on the objectives and obligations of public undertakings. This statement should lay down the broad principles for determining the precise financial and economic obligations of the enterprises in matters such as creation of various reserves, the extent to which enteprises should undertake the responsibilities of self-financing, the anticipated returns on the capital employed, and the basis for working out rational wage structures and pricing policies. These governing principles should be formulated in consultation with the public enterprises. There should also be regular consultation between the Government and public enterprises to review the extent to which they can expect additional finance from Government for their capital requirements and the amount of surpluses that are expected from the undertakings."

1.41. In U.K. certain broad principles were laid* down by Government in 1961 on the basis of which financial objectives to be attained by each nationalised industry were determined. These principles were** revised in 1967. In 1968, the Select Committee on Nationalised Industries, which went into this matter, suggested that the limits of nationalised industries' responsibility in regard to social obligation and economic objectives should also be made plain as an imposition

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**Vide* White Paper Command 1337.

***Vide* White Paper Command 3437.

of this dual set of responsibilities confused their sense of purpose and resulted in the weakening of their managerial efficiency, damaged their performance and ultimately led to public criticism. Thus there is a constant endeavour in U.K. to set out and clarify the Government's general economic, financial and social strategy for nationalised industries which it is claimed, has not only boosted the morale of management but standards of the commercial efficiency have also improved.

1.42. During evidence, the Secretary, Ministry of Industrial Development stated:—

> "The Bureau has considered this problem. The first thing that the Bureau did was to organise a Seminar in March, 1970 ......It was very clearly laid down in that Seminar that the statement of objectives and obligations would have to be formulated primarily by the enterprises themselves and the Government would, after discussion with the enterprises concerned, give its approval, with some modifications, if necessary. On that basis BPF requested the various Ministries to ask the individual enterprises to work out their objectives and obligations, financial and economic. Some work was done in this direction. But when the Bureau examined the matter, it was found that things were still left rather vague...This particular issue also came up before the Secretaries Committee. The Secretaries Committee appointed a Group of Secretaries, four or five of them, to work the guidelines which would enable the Ministries to lay down the Micro objectives for these enterprises in consultation with the Bureau. A paper was prepared in the Bureau and circulated. The Secretaries Committee met once or twice. Then some Secretaries retired and the work got delayed. Now new Secretaries have been appointed. It will be taken up again. We are working the guidelines to be given to the administrative Ministries which in turn will also lay down the financial obligations of each enterprise."

The Secretary, Ministry of Steel said that if in a particular case due to social consideration the return was to be less than the normal, then the social cost should be quantified in money value so that Parliament and the public could know the amount invested on grounds other than techno-economic.

1.43. The Special Secretary, Ministry of Industrial Development agreed that the Bureau of Public Enterprises should bring out a White Paper enunciating the economic, financial and social responsibilities of public undertakings after the micro studies had been made and the same presented to Parliament.

1.44. As far back as 1968, the Estimates Committee had, in their 32nd Report on the National Coal Development Corporation recommended that broad principles regarding financial and economic obligations of public sector enterprises should be laid down by Government. The recommendation was reiterated by the Committee on Public Undertakings in their 7th Report (3rd Lok Sabha) in 1965. In October, 1967, the Administrative Reforms Commission recommended that Government should "make a comprehensive and clear statement on objectives and obligations of public undertakings."

The Committee note that even though a period of 10 years has elapsed since the Estimates Committee made their recommendation, Government have not laid the financial, economic and social objectives of public sector enterprises so far. The Committee consider it unfortunate that Government should have taken so long to implement a recommendation of such a far reaching importance.

The result has been that the performance of public undertakings continues to be judged by a variety of vague objectives and considerations and afford scope for uninformed criticism which make for dilution of managerial accountability.

The Committee hope that at least now this matter would receive serious consideration of the Government and the White Paper promised to the Committee would soon be presented to Parliament setting out inter-alia the following:—

(i) A framework of principles of Government's general economic, financial and social strategy for public sector undertakings;

(ii) micro objectives, both financial and economic, of each public undertaking and providing for review from time to time; and

(iii) quantification of social objectives and obligations and issue of Government directives in appropriate cases.

Chapter II

PLANNING AND GROWTH

A. Plan Outlays for Public Sector

The following were the Plan outlays for public and private sectors in India in the Five Year Plans:

(Rs. crores)

	Public Sector Outlays		Private Sector Investment	
	Provision	Actual Expenditure	Provision	Actual
First Plan . . .	2377·76	1960·00	1600·00	1800·00
Second Plan	4800·00	4672·00	2400·00	3100·00
Third Plan .	7500·00	8577·20	4300·00	4100·00
Fourth Plan	14375·00	Information not available	8495·00	Informatiom not available

B. Growth of Public Sector

2.2. Public Sector in India had a marked growth during the post-independence period. Total investment in Central Govenment undertakings (other than departmental projects) stood at Rs. 5051.93 crores made up of Rs. 2742.008 crores as Equity and Rs. 2309.918 as Loans as at the end of 1971-72. Number of enterprises in the public sector has increased from 5 at the commencement of the First Five Year Plan to 101 as at 31st March, 1972. To appreciate the growth of the public sector, number of public sector enterprises at the commencement of each of the Five Years Plans is given below:—

Period/Year	No of Public enterprises	Total investment (Rs. crores)
1	2	3
(a) At the commencement of First Five Year Plan	5	29
(b) At the commencement of Second Five Year Plan	21	81
(c) At the commencement of Third Five Year Plan	48	953
(d) End of Third Five Year Plan (i. e. as on 31-3-1966)	74	2,415
(e) 1966-67	77	2,841
(f) 1967-68	83	3,333
(g) As at the commencement of Fourth Five Year Plan (31-3-1969)	85	3,902
(h) 1969-70	91	4,301
(i) 1970-71	97	4,682
(j) 1971-72	101	5,051.93

C. Contribution by Public Sector in achieving self-reliance

2.3. The Committee have been informed by some of the leading undertakings in public sector that their contribution in achieving self reliance has been as indicated below:—

(i) *Steel Industry*

Since inception Hindustan Steel Ltd. till March, 1972 has produced above 11.5 million tonnes of pig iron for sale and 26 million tonnes of saleable steel valued at Rs. 27,000 million. The Company has paved the way for further industrialisation and employment in the country by providing steel at the official fixed price. The formation and development of the Central Engineering and Design Bureau (CEDB) as the Chief consultancy organisation in the country is an important land mark in achieving self-reliance in designing and engineering know-how.

A highly experienced force of Steel Plant Managers, engineers and technicians has been created in the country. This has provided a strong base for future growth of steel industry in the country. For example, in building the Bokaro Steel Plant Stage—I about 64 per cent of the total requirement for equipment is being met indigenously. Of this about 50 per cent. of the indigenous supplies would be obtained from the Heavy Engineering Corporation Ltd. This consists of equipment machines cranes, ladles plain casting and machine tools. Most of these items are being manufactured in the country for the first time. Similarly, 92 per cent of the total requirement of structurals for Bokaro Stage—I is being procured from indigenous sources. However, as far as the requirement of the refractories for Bokaro Stage—I is concerned, the total tonnage being imported would be around 78,000 tonnes out of total requirements of 1,98,535 tonnes. The process of indianisation in the steel industry is being accelerated in Stage—II of Bokaro Steel Plant whereby the role performed by M|s. Taijpromexport would be performed by the Central Engineering and Design Bureau of HSL and M|s. Dasturco will be entrusted with the work for design.

With a view to reduce dependence on foreign countries for the consultancy services in the steel industry, Hindustan Steel Ltd. set up a Central Engineering and Design Bureau in 1959. The Bureau has rendered consultancy services for the expansion of Rourkela Steel Plant from 1 million tonnes to 1.8 million tonnes capacity, Durgapur Steel Plant from 1 million tonne to 1.6 million tonnes capacity and for installation of Sixth Blast Furnace complex at Bhilai Steel Plant. The Bureau is currently engaged in rendering consultancy services for a number of other Projects including Bokaro's expansion to 4 million tonnes. It has entered the vital field of detailed project engineering and for this purpose have entered into an agreement with M|s. Gipromez of USSR. It has also taken up detailed equipment design of Rolling Mills machineries by entering into a know-how license agreement with M/s. United Engineering and Foundry Company (now Wean-United, Inc.) of U.S.A.

(ii) *Heavy Industries*

The Heavy Engineering Corporation Ltd. has produced goods worth Rs. 95 crores and supplied them on the basis of landed cost of similar products from outside. Though the Corporation has helped the indigenous supply for sophisticated steel plant equipments, the Corporation has admitted that they have not been able to arrange supplies on economical and competitive basis.

The Mining and Allied Machinery Corporation Ltd., has as a part of the diversification programme, taken up manufacture of material handling equipments for the Ports and Material handling equipments for the steel plants, power and fertilizer industry. To mention only a few items, the Company has undertaken to supply Conveyors, stackers, Reclaimers Pumps etc., against orders at a value of Rs. 10 crores (approximately) from Bokaro Steel Plant for its first phase. The Corporation has also received orders of the value of Rs. 6 crores for the second phase of Bokaro Steel Ltd. These items, it has been stated, are customer-built and were successfully designed and developed for the first time in India by MAMC.

In order to achieve self-reliance in machine tool building, Hindustan Machine Tools Ltd. has increased its contribution. In 1956 India imported machine tools worth Rs. 835.1 lakhs. As against this the total indigenous production was Rs. 107.8 lakhs out of which HMT production was Rs. 30.9 lakhs, *i.e.*, about 28.66 per cent of the total indigenous production.

During 1970, machine tools of the value of Rs. 1830 lakhs were imported and machine tools worth Rs. 3723 lakhs were produced indigenously. Of the total indigenous production HMT produced Rs. 1512 lakhs i.e. about 40.61 per cent of the total indigenous production in the country.

The range of power equipment manufactured by the plants of Bharat Heavy Electricals Ltd. include some of the sophisticated machinery being manufactured in the world. The Company has contributed to the development of self-reliance by developing the manufacturing skill in the country for such power equipment and building design/engineering capabilities. During the last five to six years Tiruchi Plant has manufactured and delivered eight industrial boilers for Madras Fertilizers, Durgapur and Hindustan Organic Chemicals. Supply for other boilers is in various stages of completion. Hyderabad Plant has so far supplied six industrial turbosets required by various industries in the country. Supply for about 30 more sets has already commenced. Switchgear Plant has completed the delivery of 267 Air Blast Circuit Breakers and 1521 Minimum Oil Circuit Breakers. Hardwar Plant has so far supplied 750 electrical motors to Heavy Machine Building Plant, Ranchi, Bokaro Steel Plant, MAMCO, Tiruchi Plant and other private sector parties. The Company has supplied equipment for Thermal and Hydrostations and this, it has been stated, has resulted in obviating import of equipment of the value of Rs. 280 crores.

Heavy Electricals (India) Ltd., Bhopal has developed facilities for the design and manufacture of almost all categories of heavy electrical equipment required for the generation, transmission and utilisation of electric power in the country. It has so far manufactured and delivered 10 hydro sets and five thermal sets to various parts of the country. They have also delivered power transformers of the rating of 2.50 lakhs KVA which are the largest so far required in the country. They have also been manufacturing Circuit Breakers upto 220 KV range which again are the largest so far required in the country. The total value of the products delivered by them works out to about Rs. 169 crores. All these equipment would have been imported if indigenous company like HEIL had not been started in the public sector.

(iii) *Ship Building*

Hindustan Shipyard Ltd. is engaged in the building of ships. It has so far built 58 ships (including small crafts) aggregating to over 4.82 lakhs D.W.T. (3.0 lakhs GRT). This includes 47 Ocean-going cargo liners Shipyards' share in the country's Ocean-going fleets amounts to about 13 per cent in terms of GR.T. Details are given below:—

Period	Country's total tonnage		Shipyards' contribution		Percentage of 5 to 3
	No of. Vessels	G.R.T.	No. of Vessels	G.R.T.	
1. As at the end of 1st Five Year Plan i. e. 31-3-1956 .	126	4,79,880	14	17,276	14·86
2. As at the end of 2nd Five Year Plan i. e. 31-3-1961 .	172	8,57,833	28	1,23,841	14·14
3. As at the end of 3rd Five Year Plan i. e. 31-3-1966 . .	221	15,40,475	40	2,22,739	14·46
4. As on 31-3-1971 . .	257	24,35,000	51	3,25,501	13·37

Out of 56 cargo liners operating in the State owned Shipping Corporation of India as many as 23 vessels were built by Hindustan Shipyard and this constitutes 41 per cent by number and about 45 per cent by G.R.T. Shipyard's capacity to build ships is planned to be increased from 3 ships of 12,300 DWT each per annum to 6 ships per year (4 ships of 12,500 DWT and two ships of 14,500 DWT). The Shipyard is now completely manned and managed by Indians. It has developed technical know-how to build all types of ships.

The ships built by this Shipyard have been assigned the highest classification by the Lloyd's Register of Shipping.

Another significant step taken by this Shipyard in development of self-reliance in the design of ships is the formulation of proposals for establishment of a Central Marine Design Agency. Detailed Project Report for establishment of this agency is stated to have been submitted to the Government already.

(iv) *Fertilizer Industry*

A significant increase in the fertilizer consumption is a crucial element in achieving self-reliance in the agricultural sector. The present capacity of the five operating units of the Fertilizer Corporation of India is 0.412 million tonnes of mutrients. This capacity, it has been stated, would increase to 0.868 million tonnes of mutrients by the end of the Fourth Plan (1973-74). In order to attain development of various disciplines in the field of fertilizer technology covering the research development, process design detailed engineering in mechanical, electrical, civil and instrumentation, fabrication techniques and execution and commissioning of fertilizer plants, the Corporation set up a Planning and Development Division in 1961. It has grown into a full-fledged institution by now. Another major step taken by the Corporation towards self-reliance is the setting up of a fertilizer promotion and agricultural research unit. The principle activity of this unit includes fertilizer demonstrations in the farmer's field, soil testing servies etc.

The Fertilizer and Chemicals, Travancore Ltd., Udyogmandal, has so far produced 4,26,021 tonnes of nitrogen and 1,75,174 tonnes of P_2O_5 till 1971 to 1972 end. FACT has realised that the task of fertilizer manufacturer does not stop merely with production. It has taken steps to promote fertilizer consciousness among farmers. It has set up a full-fledged soil analysis laboratory at the headquarters. It has in addition introduced a well equipped mobile soil testing laboratory service. The most significant contribution of FACT is the establishment of FACT Engineering and Design Organisation (FEDO). FEDO has received ICMA award for export of know-how for building up an aluminium chloride plant in Brazil. The FACT is augmenting its capacity and is putting up a joint fertilizer project at Ambala Medu near Cochin Refineries. The construction of the first phase of this project is already complete and the plant is under trial run. Phase-II of this project is now in progress and it is expected to start production by the end of 1972. This project is designed to produce 4.85 million tonnes of NPK granulated complex fertilizers of different rates of 1.50 million tonnes of aluminium sulphate.

Madras Fertilizer Ltd. (incorporated in December, 1966) is designed to produce 2 lakh tons per year of Nitrogen, 85,000 tons per year of Phosphate and such quantities of Potash as are deemed desirable.

(v) *Oil Industry—Exploration and Production and Refining*

The Oil and Natural Gas Commission is the only organisation in the public sector engaged in the exploration and exploitation of India's resources of crude oil and natural gas. It was set up on 14th August, 1956, and remained a subordinate Government Deptt. with certain enhanced powers under the then Ministry of Mines and Fuel. It was converted into a statutory body on 15th October, 1959. Its role, *inter alia* is to "plan, promote, organise and implement programmes for development of petroleum resources and the production and sale of petroleum and petroleum products produced by it."

With the rapid industrial growth, the demand for petroleum and petroleum products in the country has risen from 2.00 million tonnes in 1947 to 20 million tonnes in 1971-72. The current indigenous production achieved by ONGC is a little over 4 million tonnes and after adding the production of 3 million tonnes of Oil India Ltd., the total indigenous production comes to about 7 million tonnes per year. There is thus wide gap between consumption and production. So far (June 1972) ONGC has produced and sold over 24 million tonnes of crude oil and about 2024 million cubic meters of natural gas thereby saving free foreign exchange to the tune of Rs. 250 crores. Annual saving in foreign exchange is about Rs. 50 crores. ONGC hopes to achieve an annual production of 4.65 million tonnes of crude oil (as against present production rate of 4.26 million tonnes) and about 455 million cubic meters of natural gas (as against the present production rate of 405 million cubic meters) by the end of the Fourth Five Year Plan period.

Indian Oil Corporation Ltd. is responsible for the management of the following refineries:

Refinery	Design Capacity
(1) Gauhati Refinery (Assam)	0·75 million tonne
(2) Barauni Refinery (Bihar)	3·0 million tonnes.
(3) Gujarat Refinery	3·0 million tonnes.

Starting with a processing of 2,41,121 tonnes of crude oil in 1962 the growth in throughputs achieved in the three refineries of the IOC namely; Gauhati, Barauni and Gujarat is 67,17,276 tonnes. The Corporation is making concerted efforts to reach a stage of self-sufficiency in the refinery field.

It is estimated that in the year 1975, the demand for petroleum products may rise to 29.7 million tonnes.

The Cochin Refinery has a refining capacity of 2.5 million tonnes. The exports of products of this refinery mainly to Ceylon, Japan, and Thailand has earned the country foreign exchange. The exports are handled by the IOC, Madras Refineries Ltd. has a design capacity of 2.5 million tonnes of throughput per year. It produces about 12 per cent of the country's total petroleum products demand. This refinery has for the first time in the country produced vital industrial and automative lube stocks, meeting about 34 per cent. of the demand for lubricants in the country. It also meets the entire demand of the aviation turbo fuel (ATF) of the Southern Zone and part of the Eastern Zone; apart from meeting the entire demand of the Southern Zone, for light diesel oil (LDO).

In order to achieve greater measure of self-reliance in the refinery capacity available in the country, a refinery is being set up at Mathura (U.P.) at an estimated cost of Rs. 97.0 crores (Refinery only). The initial processing capacity of this refinery would be 6 million tonnes per annum and will be the biggest oil refinery in the country. A special feature of this refinery will be the provision of half a million tonne Hydrocracker to convert heavy oil into more valuable middle distiplates for which there is a large and growing demand in the north-west region. It is expected that this refinery would be ready for commissioning sometime in 1978.

(vi) *Transport Industry*

After the nationalisation of air transport in the country, Air India and Indian Airlines were assigned the role of providing safe, efficient, adequate economical and properly guaranteed air transport services, internal or international or both. Air India contributed to achievement of self-reliance in this important sector of economy by entering the jet age in 1960-61 with three Boeing 707 jet aircraft and in the year 1962-63 it became an all jet air liner with six 707 aircraft. In 1971-72 Air India achieved another land mark by introducing Jamboo jets 747 to its fleet. The present fleet strength of Air India is nine

707 aircraft and four 747 aircraft. The Indian Airlines has a fleet of 51.

Shipping is one of the key sectors of the economy of every country. The growth of development of national shipping is very important because shipping not only contributes to the balance of payment but promotes export trade and constitutes a second line of defence in national emergencies. When the Shipping Corporation of India was formed in 1961, its fleet was made up of 19 vessels of 1.39 lakhs G.R.T. (1.92 lakhs DWT). Today (31st March, 1973) its fleet consists of 95 vessels of 11.93 lakhs GRT (18.64 DWT). In addition to its own fleet, the Corporation now also owns and operates the fleet of the Jayanti Shipping Company which in October, 1971 became the subsidiary of the Shipping Corporation of India. The share of the public sector shipping in the total tonnage of country is now 46.74 per cent. In 1961, the Corporation operated only six international cargo liner routes and two passenger-cum-cargo services. Today the Corporation operates in 19 international cargo liner routes i.e. more than three times the number operated in 1961. The Corporation's present liner services covers almost all the continents of the world. The Corporation has also undertaken new services mainly to promote the exports of the country. The cargo carried by the Corporation in the export and import trade of the country has also increased substantially from 8.69 lakhs revenue tons in 1961-62 to 38.77 lakhs revenue tons in 1971-72. The Corporation has thus made a substantial contribution in achieving self-reliance in the field of shipping as will be seen from the following table:

Year	Country's No. of vessels	Tonnage G. R. T. (in lakhs)	Corpn.'s No. of vessels	Tonnage G. R. T. (in lakhs)	% of Column 3 to 2 G. R. T
1960-61 (end of 2nd Plan)	172	8·58	17	1·26	14·69
1965-66 (end of 3rd Plan) .	221	15·40	35	3·04	19·74
1-4-1969 (Beginning of 4th Plan)	254	21·43	63	5·68	26·50
1-7-1972 . .	225	25·19	(a) 77 (b) 93	8·69 11·65	34·50 46·25

(b) Position including Jayanti (Acquired on 17-10-1971)

The Corporation has, however, admitted that the share of the Indian Shipping in the bulk cargo and oil trade, however, is very low. That is why 86 per cent of the tonnage on order by the Shipping Corporation of India constitutes specialised ships like bulk carriers and tankers. The Corporation expects that 43 ships on order would be delivered to them by 1975-76.

Mugul Lines Ltd., another public sector Corporation, engaged in shipping, has a fleet of four passenger-cum-cargo ships and a cargo vessel and a tanker (on charter to Indian Navy). It is rendering essential services by way of carrying pilgrims to Jaddah and bringing repatriates from Burma. Its operations have been largely confined to the carriage of passengers and pilgrims.

(vii) *Drugs and Pharmaceuticals Industry*

One of the important achievements of the Indian Drugs and Pharmaceuticals Ltd. is that, the country is today almost self-sufficient in the production of anti-biotics, bulk drugs such as Pencilin, Tetracycline etc. This Company has developed several chemicals and intermediates required as raw materials.

Hindustan Antibiotics Ltd., another public sector enterprise, engaged in the manufacture of antibiotics meets about 30—35 per cent. of the total current requirements of the country for pencilin and sterptomycine.

(viii) *River Valley Projects*

The National Projects Construction Corporation was formed in 1957 as a joint venture of the Central and State Governments to undertake the execution of the river valley national projects and allied construction works. The main objectives of forming such an organisation in the public sectors were to ensure good quality of work, reduce dependence on private agencies for execution of major projects, create an healthy competition in the construction industry and prevent exploitation by private contractors. This Corporation has come to the assistance of various State Governments. It helped in the work on the Chambal Main Canal, Badua Dam and Kosi Barrage in Bihar Wazirabad Barrage in the Union Territory of Delhi. The construction of Trisuli weir in Nepal which was being executed by a private agency was subsequently allotted to this Corporation. The Corporation also took up part of the work of Farrakha Barrage across the Ganga and Upstream Navigation Dock in West Bengal. The Corporation also took up defence works during the national emergency in 1962-63.

(ix) *State Farming*

The primary object of the State Farming Corporation is to produce quality seeds of improved crop varieties. During 1969-70 and 1970-71, the Corporation has been able to produce quality seeds to the extent of 37652.65 and 37046.78 quintals respectively. It is estimated that they would be able to produce 70,000 quintals of seeds in 1971-72.

(x) *Ware Housing*

Storage is an integral part and important section of an economy. The Central Warehousing Corporation has been able to reduce the losses of foodgrains to a considerable extent which in terms of monetary value work out to about Rs. 8 crores per year taking a saving of about 5 per cent. In order to promote quality consciousness amongst the farmers and traders, the Corporation has started compulsory grading of commodities offered for storage in the Central Ware Houses according to the national grade specifications. The grades of CWC are recognised by the trade, banks and others. The Corporation has also started its Disinfestation Extension Service. This service has not only been extended to the godowns of the cooperatives, traders and others, but also to the farmer's doors.

(xi) *State Trading Corporation*

The State Trading Corporation has grown rapidly not only in turn over and profits but also in its resources. The actual turnover of the Corporation during 1971-72 was Rs. 265.83 crores. State Trading Corporation hopes to run a business of about Rs. 430 crores in 1973-74, the target for STC group as a whole being Rs. 555 crores. The Handicrafts and Handloom Exports Corporation of India, a subsidiary of the STC, was set up with the twin objectives of export promotion and trade. Its exports have increased from 124.03 lakhs in 1967-68 to 375.37 lakhs in 1971-72. It has developed fashion ready to wear as an export item. The Corporation has prepared special scheme for periodic tie up with the leading fashion designers of the world to keep their products upto design and cut. This Corporation has set up two sample offices one in New York and other in Paris.

It has also set up a Carpets Ware Housing Depot at Hamberg for boosting the exports of Indian hand-knitted carpets to West Germany. It contemplates to set up two ware houses of its own, one each in Sen Fransico and Tokyo. The Corporation's developmental effort is directed to benefit the Indian trading community as a whole. During the past ten years, it claims to have assumed an active role in supporting and supplementing the efforts of the private enterprises in extending the exports of Indian handicrafts.

2.4. Public Sector has been growing both in absolute as well as in relative terms. Further, most of the public sector enterprises are

in basic industries like steel, Heavy Engineering, Heavy Electricals, Machine tools etc., which have a bearing on the development of other industries in national economy.

The number of public sector undertakings has risen from 5 at the commencement of the First Five Year Plan to 101 by the end of March, 1972. The investment in these enterprises during that period has increased from Rs. 29 crores to Rs. 5,052 crores. The Committee find that the Hindustan Steel Ltd. has so far produced 11.5 million tonnes of pig iron for sale and 26 million tonnes of saleable steel valued at Rs. 27,000 million. Heavy Engineering Corporation has produced goods worth Rs. 95 crores. Hindustan Machine Tools Ltd.'s share in indigenous production of machine tools is more than 40 per cent. Tiruchy Plant of BHEL has manufactured 8 industrial boilers, Hyderabad Plant of BHEL has supplied 6 industrial turbo sets. Hardwar Plant of BHEL has supplied 750 electrical motors apart from supplying thermal and hydro stations in obviating import of equipment of the value of Rs. 1280 crores, Heavy Electricals (India), Bhopal has so far manufactured 10 hydro sets and 5 thermal sets apart from manufacturing power transformers and circuit breakers of sizes which are the largest so far required in the country. Hindustan Shipyard Ltd. has built 58 ships including 47 ocean going cargo lines. The present capacity of the 5 operating units of the Fertilizer Corporation of India is 0.412 million tonnes of nutrients.

The Fertilizer and Chemicals Travancore Ltd. has so far produced 4,26,021 tonnes of nitrogen and 1,75,174 tonnes of P_2O_5 The Oil and Natural Gas Commission has so far produced and sold over 24 million tonnes of Crude Oil and about 2024 million cubic metres of natural gas thereby saving free foreign exchange to the tune of Rs. 250 crores. The total refining capacity of public sector enterprises is 11.75 million tonnes. This capacity would increase to 17.75 million tonnes after commissioning of the Mathura Refinery. The Public Sector has also not lagged behind in Air and Sea transport. Air India has a fleet of nine 707 aircraft and four 747 aircraft. Indian Airlines has a fleet of 51 aircraft. The Shipping Corporation of India has increased its fleet from 19 vessels in 1961 to 95 vessels on 31-3-1973. The share of the public sector shipping in the total tonnage of the country is now 46.74 per cent. The State Trading Corporation's turnover has reached Rs. 265.83 crores in 1971-72.

While taking note of the positive contribution made by the undertakings towards the country's aim of achieving self-reliance in key sectors of economy, the Committee wish to point out that Production in certain critical industrial sectors continues to depend on imports. For instance, in 1971-72 alone, imports of iron and steel were of the order of Rs. 245 crores, of petroleum products Rs. 184 crores and of fertilizers Rs. 113 crores. They hope that Government would gear up the planning and implementation machinery to the tasks so that by the end of the Fifth Plan the economy becomes capable of self-generating growth, and dependence on imports particularly in critical sectors is reduced to the minimum.

D. Planning for Growth

2.5. A view was expressed by an eminent non-official before the Committee that while there is a compulsive desire to see it (i.e. publice sector) grow, there is no careful planning in it. There is not enough long range planning that sets the goals. There is no budget for the public sector that plans its total growth over one to fiive years....Having set the goals, a proper appraisal system must be developed. At present, the public sector is virtually free from any system of modern accountability. He made the following suggestions—

Planning and Budgeting:

(i) A macro and a micro plan, for one to five years, for the whole sector and its enterprises should be prepared. Each undertaking should prepare a budget for next year and a plan for next one to five years to look ahead and plan for men, money and materials. It should be added to form sector's plan and then plan for the entire public sector.

(ii) A co-ordinating committee consisting of representatives of Finance Ministry, Planning Commission, Administrative Ministry and of Public undertakings should be set up to discuss the budget of each sector. This Committee should meet quarterly to review performance of previous quarter, find out solutions for difficulties, if any, so as to improve performance in the coming quarter. In its 6 monthly review, any distortion in budget should be corrected.

2.6. During evidence, the Committee asked the representatives of pulic undertakings whether they shared the view that while there was a strong desire to see the public sector grow, there was neither enough long range planning nor a budget that plans growth for the public sector over, say one to five years, and enquired if there should be a "macro plan" for the whole sector and a micro plan for each enterprise with provision for a long range plan, an annual performance budget, monthly and mid-year reviews with a course correction half way.

In reply, the representative of the Central Warehousing Corporation stated that a provision of Rs. 12 crores had been made for warehousing in the Fourth Plan. But as State Governments gave higher priority to Health Schemes than warehousing, funds allocated to State Warehousing Corporations remained unutilised and were reallocated to the Central Warehousing Corporation. State Governments prepared their own annual plans within the Ceiling stipulated in the Fourth Plan. The representative of the Fertilizer Corporation of India stated that planning at micro level is done by them once a year in February. Performance review was done once in July|August and again in October-November. He added that the Corporation participated in the process of planning with the Planning Commission. For this purpose, the Corporation studied processes, feed stock, technology and product-mix.

2.7. The representative of the Heavy Engineering Corporation Ltd. stated:—

> "So far as macro planning is concerned, there has been no failure and the need for a heavy engineering base of the nature created in Ranchi is very decidedly there. It is in regard to micro planning that we find difficulties."

2.8. As regards micro-planning, the representative of the Heavy Engineering Corporation informed the Committee:—

> "We are doing a considerable amount of micro-planning Recently, we have embarked on introducing Management by Objectives (MBO). 20 or 25 Managers sat together .... They were asked to write out the objectives for each of these 12 key-result areas. We allotted the objectives to the different Managers. He (the manager) prepares his own management job description. Another very important fall out has been that all planning has to be based on facts. Facts have to be from information. Management Information Services to give to the manager timely information has been started. In these fields, we have been weak in the past. I do not say that we have overcome all the weaknesses. But I think now we are moving in the right direction, to overcome these particular deficiencies.

2.9. The representative of the Hindustan Photo Films Mfg., Co., stated that in their case material cost was almost 70 per cent. of the total cost. Therefore reduction of rejections at the Plant level assumed importance as an objective for any micro planning. The Company prepared an annual plan which was split up into a monthly and daily programme. Shop floor people were also involved in the process of planning.

2.10. The representative of the Hindustan Shipyard Ltd., stated that planning in their enterprise was constantly done, reviewed periodically and updated. They were facing difficulties in procurement of cranes and diesel generators. He added that both marco and micro planning were going on.

2.11. The representative of the Hindustan Steel Ltd. stated that as fas as the micro planning was concerned they prepared an annual operational and capital budget, annual preventive maintenance plan, a three year rolling plan for spares procurement, refractories capital and major repairs, a 5-year production plan coinciding with the Five Year Plan period, and a 10 year Corporate Plan. Once these plans were approved by the Board and also by Government an annual action plan was prepared, giving a charter of objectives of each Department. He added that they got daily reports and carried out monthly reviews. In addition to that Government got a fortnightly report on the production which they keep track of. A "Task Force" meeting was held every two months in each Plant.

As regards macro planning, by which they meant "national aggregate of demand for the whole sector" including iron, coal, power and transportation, the witness explained that they were facing some problems. One was that consumption of steel was dependent on growth rate of general engineering industry. If the engineering industry did not grow to the extent expected, the demand for steel declined. Secondly, sometimes national and corporate objectives may be at variance. For example, Bhilai's expansion to 7 million tonnes might be decided to be in the national interest. But the Corporate objective may be to consolidate it first at 5 million tonnes. Ultimately it was the Planning Commission which had to take a decision. Yet another problem was dearth of planned information from organised industry. In foreign countries, there was a system of counter-check with steel consuming industries.

2.12. The representative of the Indian Drugs and Pharmaceuticals Ltd. stated that micro planning was done by them. For example a micro plan was prepared to remove certain deficiencies at the Rishikesh Plant.

2.13. The representative of the Life Insuranse Corpn. stated that in their Corporation planning was done from the bottom level of

Development Officer who prepared a plan in consultation with the Agents for securing new business during a year. Then, the Branch Office set a target, and Divisional Officer evolved a plan. Annual Budget and plan for the Corporation was then prepared. A system of watching weekly, fortnightly, monthly progress of targets was there. At the micro level, whenever Five Year Plan was drawn, LIC was asked to indicate availability of surplus money for investment for the next five years so that while preparing the plan, resources were taken into account. Last year a new Department of Corporate Planning had been set up in the Corporation. The witness confirmed that while planning the objectives stipulated in the two Industrial Policy Resolutions were always kept in mind.

2.14. The representative of the State Trading Corporation Ltd., stated that:—

> "The planning in the case of trade has of necessity to be different. . We have a yearly performance budget for ourselves both commodity-wise and division-wise. . . . We are trying now to have a three year plan so that our organisational set up could be geared to meet the requirements of next 3 years. . . . I think we have evolved a good system of planning which is completely performance-oriented and we are watching it weekly, monthly, half-yearly and yearly. One good point about our system is that information is available within three days of actual performance which I think, is something good in an organisation like ours where hundreds of contracts are entered into, it is something desirable and even necessary."

2.15. In a note furnished after the evidence, the Planning Commission have stated:—

> "The Government agree with the view that the growth of public sector should proceed on a planned basis. The Five Year and annual plans seek to achieve this in a large measure. The Five Year Plans which are formulated by the Planning Commission in consultation with the Ministries concerned contained the overall plan of the public sector programmes as well as the programmes of individual undertakings for the five year period. The Five Year Plans enumerate individual schemes, by way of expansions and new units, proposed to be undertaken in the public sector during the Plan period. The schedules of implementation of these schemes are drawn up, the investment needs are assessed and provided for in the Plan."

> "The contribution of the public sector to the financing of the Plan is also estimated and taken into acccunt in the preperation of the Five Year Plan . In addition to the Five Year Plan, Annual Plans are formulated every year. The activities of each public sector undertaking are reviewed and a budget allocation is made keeping in view the progress in implementation, the expenditure already incurred and that likely to be incurred during the year. The internal resources likely to be generated by the undertaking are also assessed on the basis of its operational results."

2.16. While there is a need for the growth of public sector, the Committee feel that such growth should be achieved through a careful planning both at the micro and macro level. The Committee find that while by and large undertakings have micro plans, some undertakings find it difficult to have a macro plan for their industries (H.S.L.), in the absence of timely management information. The Committee were informed that Five Year Plans formulated by the Planning Commission contained overall plans of public sector programme as well as the programmes of individual undertakings for the five year period. In addition, Annual plans were formulated for them. The Committee feel that public sector in India being one of the larget industrial assets in the world today, a modern and dynamic approach should be brought to bear on its planning and functioning.

CHAPTER III

ORGANISATION AND MANAGEMENT

A. Forms of Organisation

There are two forms of organisation in the public sector-statutory corporations set up under an Act of Parliament and Government Companies set up under Companies Act 1956. As at the end of 1970-71, there were 8 statutory corporations and 91 Government companies.

3.2. The company form of organisation was introduced some years after the first Industrial Resoluion. The principal merit of the Company form is that it provides flexibility for subsequent reorganisation. In the case of the Statutory Corporation, Government have to seek the approval of Parliament every time a change in the organisational structure is sought to be introduced or a new undertaking is proposed to be brought into existence.

3.3. In para 7 of their Eightieth Report on "Public Undertakings—Forms and Organisation", the Estimates Committee (1959-60) recommended that:—

> "The Committee are generally in agreement with these views and consider that all wholly state owned public undertakings should generally be in the form of statutory corporations, or where necessitated by special reasons, in the form of departmental undertakings and the company form should be an exception to be resorted to only for organisations of a specific nature such as—
>
> (i) when the Government may have to take over an existing enterprise in an emergency;
>
> (ii) where the state wishes to launch enterprise in association with private capital; and
>
> (iii) where Government wishes to start an enterprise with a view eventually to transfer it to private management.

They also recommended that an expert Committee be appointed to examine the whole question and to advise the Government on the principles which should determine the appropriate form of organisation for the various types of undertakings.

3.4. In their Report on Public Sector Undertakings (October, 1967) the Administrative Reforms Commission favoured adoption of statutory corporation form for public sector projects in the industrial and manufacturing field and promotional and developmental agencies and Government Company form for undertakings which are predominantly trading concerns or which are set up to improve and stabilise particular areas of business and also the projects in which there is an element of private participation. The Commission also recommended that "all the industrial and manufacturing concerns in the area of (1) Iron and Steel, (2) Engineering and Machine Tools (3) Electricals, (4) Coal and Lignite (5) Petroleum and Petrol-Chemicals, (6) Mining of Iron and other ores and mining and processing of non-ferrous metals (7) Fertilizers and (8) Chemicals and Drugs and the concerns in the field of air transport, shipping, hotels and tourism should be grouped into "Sector Corporation".

3.5. On 24th January, 1973, a new form of organisation has come into existence. Government have set up a Holding Company called the "Steel Authority of India (SAIL)". All the Public Sector Companies viz., Hindustan Steel Ltd., Bokaro Steel Ltd., and Salem Steel Plant will become subsidiaries of SAIL. All future steel plants in the public sector will be set up under the umbrella of SAIL. SAIL will coordinate, control and guide the functions of all its subsidiaries. Government will not deal with the subsidiaries of SAIL direct. The Board of SAIL has been constituted. It consists of one Chairman, three functional Directors, and ten part time Directors. The Chairman of the Boards of the subsidiaries would be appointed by the Chairman of SAIL with the approval of Government. All other Directors on the Boards on the subsidiaries would be appointed by the Chairman of SAIL in consultation with the Chairman of the concerned subsidiary. General Managers and Chief Executives of Plants in subsidiaries would be appointed by the respective Chairman on the basis of selection Committee appointed by SAIL. SAIL will ascertain the budgetary requirements of its subsidiaries and submit a consolidated budget to the Government for approval. All money required by the subsidiaries from the Government by way of equity or loan would be made available to them through SAIL. SAIL will assist in exercising financial discipline in the utilisation of financial resources and is accordingly authorised to levy a small service charge on the loans advanced by it to its subsidiaries.

3.6. During evidence of Ministries, the Committee wanted to know the considerations which weighed with Government in forming a Holding Company. In reply, the Secretary, Ministry of Steel and Mines stated:—

> "Firstly, the Holding Company would promote coordination of all activities leading to the production of steel both in the existing iron and steel industry and in the development of new steel plants. It will be valuable to have in one place a centralised body which would carry out such coordination. Secondly, the Holding Company will be manned by professional and technical people who would have the proper background for running the organisation. Consequent on this there will be reduction in the type of directives that the Ministry of Steel presently issues to the Steel Plants. This experience is not out of tune with international experience of such holding companies even in countries of Western Europe like Sweden. The third aim of setting up such a company was to develop a steel cadre within the Company."

3.7. Asked whether Hindustan Steel Ltd., would continue even after formation of the Steel Authority of India, the Secretary, Ministry of Steel and Mines stated:—

> "It is our intention that, within a measurable period of time, HSL can also be done away with and constituent units should be formed into separate and individual companies, but that decision cannot be taken today. This is visualised over a period of time."

3.8. The Committee desired to know why Holding Companies were not being set up under an Act of Parliament as was done in U.K., Italy and other foreign countries. In reply, the Secretary, Ministry of Steel and Mines said:—

> "In most countries where there are such holding companies, they have done it by Acts of Parliament. But there is flexibility in operating a Company. Therefore, I will say that the first step Government has taken is to work

it as a Company; later on from experience, we may conclude that it may be by an Act of Parliament or it may be that the Company model would suit our conditions better."

3.9. Asked whether there will be need for a Steel Ministry even after formation of the Steel Authority of India, the Secretary, Ministry of Steel and Mines explained:—

> "All Government functions will continue to be performed by the Ministry. There are a large number of matters of policy which are solely within the purview of Government like the policy about scarce raw material, distribution policy, licensing, import and export, methodology of financing new investment, etc. These are matters of Government policy and they will continue to vest in the Ministry. But there are other aspects with regard to operational directives to the plants, monitoring of production, monitoring problems and their solution, etc. These would now be largely handled by the holding company."

3.10. The Secretary, Ministry of Finance added that "there will be reduction in the functions of the Ministry in certain aspects and to that extent there will be reduction in the staff also."

3.11. The Committee wanted to know whether appointment of the Chairman of the Holding Company as Secretary to the Ministry was not contrary to what the Administrative Reforms Commission had recommended and whether this would not increase the possibility of Governmental interference in the working of the Holding Company. In reply, the Finance Secretary stated:—

> "the earlier complaint was that proposals sent up by the technical managers were held up in the Ministry. Now the Chairman as the Secretary to Government would be able to pursue his own proposals in the Ministry and get them cleared. Although ARC had recommended that the Secretaries to Government should not be the members of the board, it was considered that in the case of the Steel Authority of India there may be some advantage in having both the Planning and Finance Secretaries in the Board because then at the time of formulation of the steel plan, the Finance Secreary might bring his own knowledge of the resources which may be available to the notice of the Steel Authority and the Planning Secretary would

see whether the Steel Plant is going to be according to the directions contemplated in the national plan. Because, ultimately, whatever the Steel Authority does, both in respect of planning as well as finances, that will have to be dovetailed with the National Plan as well as the objectives of Government. Therefore, after fully taking into account the recommendations of the ARC, Government made a departure in the case of the steel authority."

3.12. As stated in evidence, the concept of having holding companies is mainly based on the pattern obtaining in other countries like Italy. In that country, there are two top management institutions *i.e.*, ENI and IRI that hold shares in and control all the operating units|sub-holding companies in the public sector. The former have been set up as Statutory Corporations and the later in the Company form. While the Committee have not closely studied the experience of that country with these institutions, they note that of late there has been criticism about their working in that they have not been quite as "adventurous and enterprising" as their "philosophy" requires and need has been felt for an effective ministerial control over them.

3.13. The question of placing a holding company between the Ministers and the Boards of Nationalised Industries was also considered by the Select Committee on Nationalised Industries, U.K., in 1968 and they did not favour the idea for several reasons. First, the Committee wondered whether the existence of such a holding company would lessen the "unfettered" ability of Ministers to impose social or public interest obligations on the Boards or in other ways to bring the Public interest to bear. Secondly, they felt that if the Boards were made more remote and less subject to direct ministerial control through the inter-position of a holding company. Ministers would be less accountable to Parliament for the acts and achievements of the Boards. Thirdly, the Committee were convinced that there was no room for a new tier between a Minister and the Boards, and observed that "if it attempted to oversee the efficiency of the industries—to review investment or to scrutinise price proposals, for example—it would be doing the tasks which Ministers must do if they are to be accountable to Parliament for public money and financial aspects of publicly owned bodies. If it did anything also—e.g., if it attempted to control in detail the execution of Ministerial policy—it would be doing the work of Boards themselves. The Boards must know to whom they are responsible—it could be to a holding company or to a Minister: it cannot be to both."

3.14. The Committee note that Steel Authority of India has been set up as a holding Company with the expectation that it will bring about improvement in efficiency and economies in procedure and develop a steel cadre which is of vital importance for this sector. The holding company will also help in better planning of steel production.

3.15. The point whether the holding company should have been established under an Act of Parliament as is done in some other countries can be decided only after some experience with the present set up. The Committee, however, feel that the relationship between the Ministry, the Steel Authority and its component units should be clearly demarcated.

B. Boards of Directors

3.16. While broad policies are laid down by Government in every public undertaking, the responsibility for overall management vests in a government board which exercise general supervision over the affairs of the undertakings, meet periodically and give directions and sanction to management. The Board includes not only full time functional Directors but also part time members and this general pattern prevails in the larger enterprises both in the public and private sectors all over the world.

3.17. As far back as 1963, the Estimates Committee in their Thirty-Second Report (Third Lok Sabha) on National Coal Development Corporation Ltd. recommended that the tasks of the Board of Directors should be specifically laid down clearly bringing out the management's overseeing functions and other vital matters like formulating policies, evaluating performance, stimulating development etc. In reply, Government intimated that "the responsibility of the Board of Directors is defined under the law and their general powers indicated in the Articles of Association of the undertakings."

3.18. During evidence of Ministries, the Committee enquired about the specific steps being taken to lay down the tasks of the Boards. In reply, Special Secretary, Ministry of Industrial Development stated:—

> "As a matter of fact the position is that all powers excepting very few which are reserved by the Government but

which are normally reserved by the entrepreneur in major undertakings are vested in them. For example, for capital investment beyond limits which are very high where Government have to provide the funds, Government's approval is necessary. There are few other things where undertakings have to come to Government—Licences, foreign exchange clearance etc., otherwise they have very wide powers. The circular has been very clear that if there are any questions of Government wanting to give directions to the enterprises, Government may see that there should be reservation for the scheduled castes and scheduled tribes, ex-soldiers, Government have given directions and this is the policy of the Government; otherwise the public enterprise board have got full authority and full responsibility."

3.19. Asked whether part time directors on the Board of Public Sector Management had been able to devote sufficient time and attention to their work, the Special Secretary, Ministry of Industrial Development said:—

> "The part-time directors also will have to develop the spirit of being a part of the team. There are others who come to the meetings of the Boards of Directors without much interest in anything other than money. But over the last 4 or 5 years things are moving in the right direction."

3.20. In their Memoranda furnished to the Committee, while the Indian National Trade Union Congress has expressed the view that "generally speaking, the approach of the management towards the workers, both in the public and private sector is the same and nowhere the workers are taken into confidence", Bhartiya Mazdoor Sangh has opined that "workers representatives should have an effective voice in all decision making processes right from those regarding purchase of raw materials to those pertaining to marketing organisations, price fixation etc. Decisions regarding deployment of capital, labour and managerial and technical skills available with the unit must be in consultation with and with the approval of workers representatives."

3.21. Talcher Fertilizer Workers Union feels that workers participation will be possible if "substantial control on consumption and involvement in the decision and policy making body of the industry is granted to the workers as in the case of Yugoslavia Workers Council".

3.22. Hatia Kamgar Union has cautioned that appointment to the Board of Directors of representatives nominated by recognised Unions will create a "labour bureaucracy". Instead, such appointment should be by secret election system.

3.23. National Organisation of Insurance Workers, Bombay has stated that workers should be given "a determinative status at all levels of the decision making." The organisation has suggested that at the top level, workers representation should be one-third, half at the middle stage of management or execution and two-third for management of welfare.

3.24. The Committee wanted to know in how many public undertakings representatives of labour had been taken on the Board in the light of Committee's recommendation contained in para 8.27 of their Seventeenth Report on "Personnel Polices and Labour management Relations in Public Undertakings." In reply, the Special Secretary, Ministry of Industrial Development stated:—

> "As a matter of fact, we have decided to take up two enterprises, as an experimental measure but the matter got bogged down on the question of the method of selection viz. whether voting or nomination should be there, and after nomination as a member of the Board, does he continue to be a workman. Bureau of Public Enterprises are in correspondence with the Ministry of Labour as to how to implement this recommendation."

3.25. Asked whether Board of Directors met regularly and performed meaningful functions, the Special Secretary, Ministry of Industrial Development stated:—

> "Government are satisfied that they meet regularly. The rest is a subjective matter. After the representative of the Finance Ministry comes back from the Board meetings, he puts up the minutes and agenda papers to the Secretary, who is supposed to have a look at them. He does not have any power to tell the Board that "you are unnecessarily wasting time", etc. The Board is autonomous."

3.26. Since the pattern of Board consisting of not only full time functional but also part time members is the common type prevailing in the larger enterprises both in the public and the private sec-

tors all over the World, the Committee have no objection to that pattern but Government should ensure that part time members are persons who have established an outstanding reputation in the fields of industry, trade, public administration or trade union organisation and last but not the least are conscious of the role of public sector and possess a missionary zeal to improve the standards of management. In order to perform its functions effectively, the Board should meet as often as necessary so that it is able to grapple with the problems of the enterprise promptly.

3.27. The Committee reiterate their recommendation contained in para 8.27 of their 17th Report (5th Lok Sabha) that participation of workers and their representatives should be at all levels beginning from the shop level to the Board of Directors "with a view to promote industrial harmony and maximise production." The Committee attach great importance to this recommendation which is of a very fundamental nature in as much as they point out that mere appointment of a workers representative on the Board of Management without workers participation at all levels will have only a symbolic value and expect that no further time would be lost by Government in its implementation and to give this measure a wider coverage.

C. Empanelment of Top Posts

3.28. Top posts are those posts in public enterprises, the power for appointment to which is vested in the Government of India. These posts are those of full-time Chairman, Chairman-cum-Managing Directors, Managing Directors, Functional Directors, General Managers of constituent units. These have been classified on the basis of responsibilities involved into four Schedules with remunerations ranging between Rs. 2000 and Rs. 4000.

3.29. According to the existing instructions, the selections for appointment to these posts are normally to be made by Government out of panels of names drawn up by the Empanelment Selection Board consisting of Secretaries to the Government of India and chief executives of public enterprises. Persons from different sources, such as officers drawn from the public services,—both civil and military from persons already working in Public Enterprises and personnel from the private sector are screened and selection made on the basis of their previous managerial experience (in industrial, commercial or financial matters connected either with the actual running of Public Enterprises or dealing with the affairs of Public Enterprises in other capacities). The applications in respect of all the candidates are in the first instance screened by the Bureau of Public Enterprises, before *prima facie* suitable cases are put up to the above mentioned Empanelment Selection Board for final assessment. The Board interviews those candidates who are found *prima-facie* fit for holding top post assignments in the course of the initial screening. So far as officers from Government and Public Enterprises are concerned, the initial screening and the final assessment also take into account the record of their past performance as evidenced in their character rolls.

3.30. The Bureau of Public Enterprises services the Empanelment Selection Board and ensures that the administrative Ministries are provided with the panels of names finalised by the Board from time to time. Apart from this, for each vacancy, the Bureau also supplies, whenever requested by the administrative Ministries sub-panels of names, taking into account the availability of persons in the panels, specific job requirements, etc., to the administrative Ministries to facilitate their selection and also to ensure that vacancies do not remain for long.

3.31. It was stated in a written reply that among the reasons which had led to posts remaining vacant over a period of time, mention can be made of the following:—

(i) Vacancies exist in a formal sense only. This happens where the Ministry concerned has already selected a suitable person and he is looking after the work, but the formal procedure of empanelment of that person is pending clearance. In such cases, there is obviously no managerial vacuum but only delay in the formal procedure.

(ii) There are certain highly specialised posts for which in the nature of the cases there is delay in locating suitable persons.

(iii) Where the company has been newly started, there has been not enough time to build up a suitable succession plan to promote internal talent from within the organisation. In such cases there are bound to be some gaps in the organisation structure to be filled by taking people from outside with appropriate skills.

(iv) Considering the number of enterprises, vacancies keep on occuring on rotating basis, especially so when new undertakings are also being set up.

(v) Considering the importance of top posts in public enterprises in our context, there is need for the utmost care in the choice of a correct person to fill up such posts.

3.32. During evidence of Ministries, the Committee enquired as to how was it that as on 1st September, 1972, 19 of the public undertakings were being run without top Managers of which 10 undertakings did not have Chief Executives. It was pointed out that in the Fertilizer Corporation of India alone, as many as 9 posts of General Managers of Projects were vacant and of these 7 had remained unfilled for over two years. In reply, the Finance Secretary stated:—

> "As you know, this was a decision taken at the highest level and the reason for the vacancies was lack of advance planning. If there is advance planning, if you foresee your needs and start thinking at least about a year or year and a half, such things will not happen. There should then be no difficulty about filling up of top posts. For certain reasons some little delay in finding suitable person may be more beneficial to the public undertaking itself than a quick decision. There was some difference between the FCI and the Empanelment Board and it was resolved."

3.33. Explaining the difference of opinion that arose, the Secretary, Ministry of Petroleum and Chemicals said:—

> "About 9 posts of the level of General Managers in various units of Fertiliser Corporation of India are lying vacant. This is due to unfortunate misunderstanding on the part of Public Undertakings about their role *vis-a-vis* Government in the matter of appointment and so on. One of the view, was that Government was eroding their autonomy and all that. Autonomy does not mean unfettered freedom."

3.34. The Finance Secretary clarified that where President is the appointing authority, a public undertaking was consulted in making appointment to all top posts except those of Chairmen. But consultation did not mean approval. Secretary, Ministry of Petroleum added that 10 years ago there was no Empanelment Board. This gave rise to complaints of favouritism, nepotism, etc. Till recently, the Empanelment Board consited of 4 Secretaries of the Government. In 1970, the Prime Minister felt that there should be representatives of Public Undertakings also in the Empanelment Board. Accordingly it had been decided that Empanelment Board should consist of equal number of Secretaries to Government and Heads of Public Undertakings i.e., four each.

3.35. In a Note furnished after the evidence, the Bureau of Public Enterprises have intimated that as on 1st September, 1972, there were 1,110 deputationists in the public sector enterprises (excluding officers of the Industrial Management Pool). In another note, the Bureau intimated that according to the information available with them there were 6 cases where more than one top posts were held by one person simultaneously for over 6 months.

3.36. The Secretary, Ministry of Steel and Mines submitted that 'there is no doubt that everybody shares the apprehension that it is not correct to have major public undertakings without the top man or key man. This apprehension is more than shared by Government. A high level group of Ministries are seized of this and decision and recommendations are likely to emerge."

3.37. In reply to unstarred question No. 1832 of 3rd August, 1973, the Minister of State in the Ministry of Finance stated in Lok Sabha that:—

> "....Government have, taking into account these recommendations along with other relevant considerations, since decided on the framework for a new managerial personnel policy for the public sector.
>
> This policy is based on the need for giving sufficient autonomy to the enterprises themselves in making appointments to posts below the level of General Manager, so that the processes of development of specialised skills, greater continuity and commitment in the work-force and encouragement to increased mobility of managers between enterprises are assisted.
>
> In the case of appointments made by Government to the Boards of these enterprises, the Government have decided to abandon the present empanelment procedure for selection of suitable personnel. Instead it is proposed to set up a suitable High Level Selection Board of eminent persons with experience of top personnel selection to recommend suitable names for specific vacancies at the top level that may occur. Suitable arrangements are also envisaged for closer association of the chief executives of the enterprises concerned in the Selection of personnel for functional directorship and for the post of General Managers. It is proposed to invest the High Level Selection Body with the task of overseeing management development in the public sector as a whole and the evolution of appropriate appraisal procedures to assist objectives selection. The details of the new framework are being finalised along these lines."

3.38. The Committee view with concern the fact that as on 1st September, 1972, 19 public undertakings were being run without top managers of which 10 undertakings did not have even Chief

Executives. In the Fertilizer Corporation of India alone as many as 9 posts of General Managers of projects were vacant and of these 7 had remained unfilled for over two years. The Committee note that high level group of Ministries are already seized of this question that major public undertakings are without top men or keymen and decision is likely to emerge shortly.

3.39. It transpired during the evidence that the main delay was on account of some misunderstanding between the Fertilizer Corporation of India and the administrative Ministry concerned, since so far, the Empanelment Board, constituted as it was, consisted solely of Secretaries to Government and had no representative of public sector enterprises in it.

Now that the Empanelment Board has been reconstituted by including in it an equal number of representatives of public undertakings, the Committee hope that such controversies, which neither behove Government nor bring credit to the enterprise, would not arise in future and that deeper understanding and greater confidence would prevail in the relationship of Government and public sector enterprises. During evidence, the Finance Secretary admitted that "the reason for the vacancies was lack of advance planning." The Committee hope that the Government would finalise soon the details of the framework for the new managerial personnel policy demarcating clearly the role of the Bureau of Public Enterprises and the High level Seletion Board.

3.40. The Committee drew the attention of Government to a news item which appeared in a section of the Press on 29th March, 1973 that Chairman of the Hindustan Paper Corporation Ltd., a public sector undertaking, had recently promoted a private paper Company called the Regal Papers Ltd., and wanted to know the facts of the case. In reply, the Ministry of Industrial Development stated that the fact of the official's continuing interest in the Regal Papers Ltd., was known to the Government when his candidature for appointment to Hindustan Paper Corporation was under consideration. Notwithstanding the involvement, a conscious decision was taken to appoint him as a part-time Chairman of the Corporation in view of his expertise and the needs of the Corporation. "Normally, part-time Chief Executives who have to attend to their own private interests in a competitive concern, are not considered for any appointment in Public Sector Undertakings." In this case an exception was made because it was felt that "in view of his vast experience and knowledge in the field of paper industry", his services, even on a part-time basis, would be of immense value to the Hindustan Paper Corporation. The fact that he would be able to devote only part of his time and attention to his duties as part-time Chairman was taken into account while considering the proposal. It was also added that ever since he took over charge as part-time Chairman in the Hindustan Paper Corporation he had been devoting considerable amount of time to the Corporation's work and he had undoubtedly made a distinct impact on the projects being implemented by the Corporation. There was no clash of interest between Hindustan Paper Corporation and M/s. Regal Paper Mills and the officials continuing interest in Regal Papers would not in any way be detrimental to the interests of Hindustan Paper Corporation.

3.41. The Committee note that "normally, part-time Chief Executives who have to attend to their own private interests in a competitive concern, are not considered for any appointment in Public Sector Undertakings, and that in this case an exception was made in view of his vast experience and knowledge in the field of paper industry". The Committee are of the view that appointment of a person who has his own private interests in a competitive concern as Chairman of a public sector concern even on a part-time basis, is wrong in principle. The Committee desire that Government should review the position in this and other similar cases, if any, in the larger interests of the public sector. The Committee would like to be informed of the action taken by Government.

D. Bureau of Public Enterprises

3.42. In para 106 of their 52nd Report (1963-64) the Estimates Committee had recommended that:—

> "Bigger undertakings have, no doubt organised industrial engineering departments which might be able to make studies of the organisational set up periodically, to enable necessary changes being made. The Committee, however, consider that it might be useful to organise a central manpower consultancy bureau to periodically examine the organisational set up, manpower requirements etc. of all public undertakings from an objective and detailed point of view. The Secretary of the Ministry of Industry agreed with this suggestion and felt that it might be advantageous to set up an Inspectorate at the Centre for this purpose as also for periodical evaluation and appraisal of the public undertakings. The Committee trust that a well staffed bureau or agency would be set up at an early date. It should, however, be ensured that any such agency does not become unwieldly and a further cog in the wheel or a mere critic of the undertakings."

3.43. In pursuance of the above, a Bureau of Public Enterprises was set up in the Ministry of Finance in April, 1965 to provide a central point of reference and consultation on important aspects of management, explore avenues of economy in capital costs, devise steps to improve productivity and profitability, review periodically the working of public undertakings and to present reports and reviews of their working to Parliament or Government agencies.

3.44. Administrative Reforms Commission recommended in 1967 enlargement of the functions of the Bureau and recommended that in broad terms, the functions of the Bureau should be:—

(a) to maintain panels of suitable persons with a view to assisting the administrative Ministries in making appointments to the boards of public undertakings and provide consultation for such senior posts under the Corporation as may be prescribed;

(b) to furnish periodical reports to Parliament and Government on the working of public undertakings;

(c) to act as a data bank and as a clearing house of information in respect of important matters of common interest including information about organisational structure and pricing policies in public sector undertakings in other countries of the world;

(d) to coordinate the work relating to the examination of public undertakings by Parliamentary Committee;

(e) to compile information on the terms and conditions of service of employees and to advise public undertakings with a view to ensuring desirable uniformities in these matters;

(f) to maintain liaison with the Department of Administrative Reforms in respect of matters like work study, operations research and improved reporting systems;

(g) to assist the concerned Ministries and Finance Ministry in making a more expert scrutiny and evaluation of feasibility studies|DPRs, to the extent practicable;

(h) to assist the Ministries in controlling expenditure on residential and administrative buildings, residence of senior executives, townships and ancillary facilities with a view to securing a measure of uniformity in the matter of provision of amenities to labour; and

(i) to advise Public Undertakings on matters on which advice is sought.

3.45. In a note, furnished after the evidence, it has been stated that "the Bureau's role is essentially that of a coordinating and servicing agency" without detracting from the basic accountability of the administrative Ministry concerned. The Bureau has tried, to the best of its ability, to fulfil this limited role.

Its main achievements can be summarised as follows:—

(i) It has continuously appraised the performance of a large number of undertakings and tried to pinpoint the deficiencies and suggest remedies. Particular mention may be made of areas like Material Management, Production Planning & Control, Preventive Maintenance, Performance Budgeting, Pricing Pôlicies, Construction Economies etc.

(ii) It has been able to suggest substantial economies in the cost of projects, including construction costs. For Civil Works alone, it has been able to contribute to a saving of about Rs. 47 crores upto November, 1972.

(iii) It has laid down norms and standards for Civil construction works, incorporating new construction techniques.

(iv) To the extent possible, it has tried to evolve uniform yardsticks in the matter of pay, allowances and perquisites for various categories of personnel.

(v) It has played an active role in the selection of personnel for top appointments by drawing up panels in different schedules.

(vi) It has played an active role in the organisation of training and development of management skills in enterprises.

(vii) It has done an evaluation of available consultancy services in the country and circulated it for the information of the public sector enterprises."

3.46. In Para 6.46 of their Sixty-sixth Report on Production Management, the Committee on Public Undertakings (1969-70) observed, "the Committee feel that with the enlargement of the functions of the Bureau, there is need for decentralisation lest the Bureau should grow into a monolithic and top heavy administration. The Bureau may consider whether it will not be better for it to function in small working groups each being responsible for one type of industry." In reply, the Bureau agreed that there should not be too much centralisation of powers but felt that setting up working group for one type of industry "will call for employment for a considerable number of specialists in the Bureau itself". It was further stated that approach of the Bureau was inter-disciplinary and that they had taken action to draw up a panel of consultants after careful assessment and scrutiny, with a view to making available their services to the Bureau/Administrative Ministries|Public Enterprises for tackling "specific problems."

3.47. During evidence, some of the leading public undertakings expressed the following views about the functioning of the Bureau of Public Enterprises:

> "I think Bureau is not so organised as yet. I remember I wrote to them to have a look at my Finance Deptt. and there was no response. "

* * * * *

> "..But in our view, there is no necessity for a Bureau of Public Enterprises provided the public enterprises themselves have the confidence of their own expertise."

* * * * *

> "I consider the Bureau of Public Enterprises, to be a fifth wheel which is completely redundant. Organised as it is, it is neither useful nor ornamental. This has to be replaced by an organisation of the public enterprises themselves."

* * * * *

> "I think the Bureau can play a useful role only if they have a panel of consultants."

* * * * *

> "The Bureau, I feel, can do in respect of public sector as a whole precisely the kind of questioning that you are doing today like the role and achievements of public sector undertakings....This very work can be done for you by them so that you will be able to examine us....Bureau can do useful work rather than trying to monitor the operation of the undertakings....The Bureau gives a direction that you should not do this and you should not do that."

* * * * *

3.48 During evidence, the Finance Secretary stated that:—

> "It (*i.e.* the Bureau) is an organisation which guides the public sector. It has undertaken depth studies of some of the larger public sector undertakings and made various suggestions regarding carrying out improvements, etc. The Bureau examines the feasibility report on behalf of Government. They function as eyes and ears of the Government. If you are a consultant, you need some power on your elbow to carry out your assignment."

3.49. The Special Secretary, Ministry of Industrial Development added:

> "Bureau is part of Government. Pay scales are the same as in Government. Public sector pays more for comparable posts. Public Sector pays bonus. Our attempts to get best persons from public sector has not met with great amount of success. Rather than on getting on special pay scales, it would be better to take them on contract where the pay scales of Government do not apply."

3.50. The Secretary, Ministry of Steel & Mines expressed the following view:—

> "The best advice emanates from those who are operating the enterprises. They understand their problems. To the extent that they do not understand the problem, it is necessary that they have to depend on others and to that extent consultants play a role. At best, the Bureau plays the general consultant's role. There is always an apprehension in the industry that someone is offering his advice only but the responsibility for implementing the advice is not on the consultant but on those who are operating it. One has to see that the Bureau has a role which is a limited one. It is an advisory role. To expect beyond that is not fair to the Bureau. You must appreciate the views of the people in the undertakings who are responsible for implementing the advice."

3.51. In a note furnished after evidence, the Committee were informed that rise in staff strength of the Bureau had been as under:—

Category	*1-6-69	1-3-70	1-3-71	1-3-72	1-3-73
Officers	31	48	56	54	53
Staff	65	129	162	162	184
Total	96	177	218	216	237

*B. P. E. came to existence as a separate administrative unit w. e. f. 1-6-69.

3.52. The total budget provision and the actual expenditure on the Bureau for the five years from 1969-70 was as under:

(Rs. in lakhs)

Year	Budget Estimates	Revised Estimates	Actuals
1969-70	..	14·02	12·91
1970-71	22·85	18·43	19·37
1971-72	29·85	32·93	30·18
1972-73	40·94	41·17	32 24* (Revised)
1973-74	46·86	..	..

3.53. The Committee note that the original idea underlying the setting up of the Bureau of Public Enterprises was to provide one centralised agency which would act as the eyes and ears of Government and provide an overall critical review of the functioning of the public sector for identification of the problems besetting them and suggest concrete measures to remedy the shortcomings.

The Committee also note the strength of the Bureau has increased from 96 as on 1-6-69 with a budget of Rs. 14 lakhs to 237 on 1-3-73 with a budget of Rs. 41.17 lakhs in 1972-73.

3.54. The Committee gathered the impression during their visits to public undertakings as well as during the evidence tendered by the chief executives of the public undertakings that the Bureau has not been able to discharge its role and functions to the entire satisfaction of public undertakings. Not only have its guidelines or advice not found ready acceptance with the undertakings, it has also not been able to resolve the problems facing some undetakings in any tangible manner. In the circumstances, the Committee cannot but look askance at the heavy expenditure which is being incurred on this top-heavy bureau and they cannot help expressing the feeling

that if the Bureau has to serve the original objective, it must be made more compact and be manned by persons who have long experience of working in public undertakings and who can command respect of the undertakings by virtue of their knowledge and proven leadership in management.

3.55. The Committee note from the written reply furnished by Government that the monitoring and reviewing functions of the Bureau have not been discharged effectively, else there would not have been the necessity for apointment of Action Committee under the chairmanship of a Member, Planning Commission, to review the working of a number of Public Undertakings.

3.56. The Committee also note that the Bureau is still attempting to build an appropriate data bank for information relating to public sector. The Committee feel that there is a pressing need for development of a system of reporting which would enable Government to effectively monitor the performance of each undertaking, focus attention without delay on problems which are coming in the way of its allotted role and assist Government|public undertakings in resolving these issues without loss of time.

3.57. The Committee have considered the necessity or otherwise for such an agency in the context of the latest move to set up sectoral holding companies for various undertakings which will over-see working of constituent units and co-ordinate common matters bearing on planning and development of production capacity, recruitment|training programme, etc.

The Committee recognise the need for a small compact Bureau staffed by experienced technical personnel drawn from public undertakings to study larger issues relating to capital structure, cost of construction, inventory control, productivity etc. with a view to assisting the public undertakings, particularly in the initial stages, to evolve their own norms.

The Committee note that the working of the Bureau of Public Enterprises is currently being reviewed by a high powered task-force headed by Member, Planning Commission. They hope that the Task Force will critically go into the functioning of the Bureau and would clearly demarcate its role and functions so that it can be reorganised to serve effectively the objective that Government had in view in setting it up. The Committee would like to be informed of the recommendations made by the Task Force and the concrete action taken by Government in pursuance thereof to rationalise and reorganise the working of Bureau of Public Enterprises so as to act as a effective clearing house of information, policy guidance, monitoring agency which commands the regard of the public undertakings

by virtue of its knowledge and leadership and of Government by rendering timely reports on focussing light on important issues, coming in the way of the achievement of production target by the Public Undertakings.

3.58. The Committee reiterate the recommendation made by the Estimates Committee in Paragraph 14.5 and 14.6 of the 24th Report, (Fifth Lok Sabha) on "The Form and Contents of Demands for Grants that the contents of the Bureau's Annual Report on Industrial and Commercial Enterprises should be improved and that the Report should be made available to Members of Parliament along with budget papers. The Committee would like the Bureau to so improve the Annual Report that it brings out clearly the achievements of public undertakings as also focuses attention on significant issues which are hampering the achievement of production targets by the public undertakings, in the interest of greater accountability to Parliament.

E. Management Accountability

3.59 Managements of public sector undertakings are accountable to both Government and Parliament. Accountability to Government is ensured by various devices, substantive or procedural such as:—

(i) The Chairman of the Board of Directors is appointed by the Government. The Members of the Board are also appointed by the President in consultation with the Chairman of the Board.

(ii) Notwithstanding anything mentioned in the Articles of Association Government may issue "directions or instruction" in regard to the finances, conduct of business and affairs of the Company.

(iii) Representatives of Government *i.e.* one each from the Administrative Ministry and the Ministry of Finance are appointed on the Board of Directors.

(iv) Prior approval of Government is necessary in certain matters *e.g.* collaboration agreements, Annual and Five Year Development Plan, if any, of the Company and the Annual Capital Budget, Revenue Budget (if it shows or has the possibility of deficit), calling up the unpaid capital, increasing the authorised capital, reduction of capital, formation of subsidiary company, projects involving capital expenditure in excess of Rs. 1 crore or any expenditure exceeding 10 per cent on any component part of the approved project estimates.

(v) Chairman of the Board may reserve for the consideration of Government any other matter brought before the Board which raises, in the opinion of the Chairman, an important issue.

(vi) Submission of periodical reports/returns to Government *i.e.* Administrative Ministry and the Bureau of Public Enterprises.

(vii) Progress Review meetings convened by Secretaries of the Administrative Ministry with the top Management of Public undertakings.

3.60. The Management's accountability to Parliament is ensured by the following instruments of scrutiny and control:—

(a) Under Section 619A of the Companies Act, Annual Report on the working and affairs of a Government Company is required to be prepared within three months of its Annual General Meeting and laid before both Houses of Parliament together with a copy of the audit report and any comments upon or supplement to the Audit Report, made by the C & A G.

(b) Questions raised by Members of Parliament on the working of Public Undertaking are answered by Government on the floor of the House.

(c) The working of public undertakings is also discussed during the course of discussion on the Demand for Grants.

(d) Audit Board presents to Parliament comprehensive appraisal on the working of a few selected undertakings every year.

(e) Reports on the working of public undertakings selected for detailed examination by the Parliamentary Committee on Public Undertakings are presented to Parliament. Besides, the Committee have also been presenting to Parliament reports on their horizontal studies on specific aspects of Management *e.g.* Materials Management, Production Management, Personnel Policies and Labour Relations etc. These studies have covered majority of public undertakings.

(f) Discussions at the informal Consultative Committees of Members of Parliament attached to the Ministries also focus attention on the working of Public Undertakings.

3.61. During the evidence of Shri P. L. Tandon, former Chairman, State Trading Corporation, the Committee referred to the question of accountability and autonomy being debated all over the world and enquired what position obtained in the public sector in India. Shri Tandon expressed the following view:—

> "This is the most important issue of all. If I may be forgiven to be totally frank, I think, in our public sector, there is no accountability whatsoever, the way accountability is understood in the world today. This is practically Nil. Accountability and autonomy should go hand in hand. You give autonomy to an organisation and say you run yourself, but, provided you keep on reporting back to me and giving me an account of your performance. Otherwise, it is not delegation and it is relegation."

3.62. Elaborating his opinion that lack of system of accountability and the autonomy had been partially responsible for the poor results of the public sector, the witness (Shri Tandon) explained:—

> "Sir, that autonomy which I am suggesting and the delegation should go with the strict, regular and timely accountability. What happens is that very few public undertakings prepare their profit and loss Accounts in time, and they do not prepare a monthly review of their activities. In very few cases, do the Ministries and the public undertakings sit together and make a formal review of the last one or two or three months. Most of them do not publish their annual accounts promptly and when they do so in August or September, they are deeply committed into the following year. I may be forgiven to refer to one thing. In STC, we introduced a system of announcing provisional results on the 29th of March every year and this results, in so far as the total turnover was concerned, was, I think, within the level of 99.9 per cent accuracy. In other words, the day before the year began, the shareholders knew what the performance of the last year was. The final results were all checked and audited later on so that very soon they knew how we had performed. I would suggest that autonomy is no use unless it goes with accountability. It is no use telling to a man 'Go and do the job and forget me'. We should say 'do the job and remember me regularly; keep on coming on the tape every month

> and tell me how you are performing, and then, I will not interfere with you if everything goes on well'. I think it is just this lack of the system of accountability and the autonomy which, to my mind, has been partially responsible for the poor result that we have produced in the public sector."

3.63. The Committee enquired as to how the lack of system of accountability and autonomy on the one hand and the complaints of too much interference in the public sector undertakings on the other could be reconciled. In reply, the witness (Shri Tandon) stated:--

> "Where there is no accountability there will inevitably be interference. If I prepare a detailed monthly review, at least at the operational levels I do not have to be interfered because I know what is happening. Most people interfere when they don't know how things are going. Now I come to your question *i.e.* is there too much interference. I think there is. But I do not blame the Ministries for that. I think it is not their fault. But the fault lies at the lack of accountability. There is a well-known saying that an uninformed is likely to ask more casual questions than the informed."

3.64. The Committee pointed out that before a Chief Executive is made accountable to fulfil a certain target, he needs to be given an opportunity to acquaint himself with the problems of the enterprise and the tasks ahead. Accountability involved certain amount of consent. Agreeing with this view point, the witness (Shri Tandon) stated:—

> "The Captain has to go the Control Tower to fix his route, his course, his speed, his altitude and various things. If the cannot follow that, the Control Tower has the right to insist that it is consulted. So, I fully agree that there has to be a consent. Therefore, I would submit that Budget prepared by the Corporation must be discussed and agreed with the Ministry concerned. For, the Ministry may have views that the Chairman concerned is under-estimating the targets or may be grossly over-estimating or asking for too much resources or asking for too little resources or too little expansion. So, I agree with this. If you would forgive my mentioning a rather personal example, I was asked to review the STC and then to take it over. I think that it would not be a bad thing if you put a chairman there for two or three months or four months and tell him to go there and take over and at the

> end of six months to give a review report on how he finds the organisation, how he proposes that the organisation should be altered or reshaped, and prepare his first budget. In other words, you should give him a chance to familiarise himself with the various factors. If, of course, the Chairman is found from within there is no need to do that, because he knows it all. But in the case of any Chairman, I would translate your suggestion into a concrete thing and say, that within six months, he should present a review report and his budget and some kind of future plan for a year or two, and then the controlling authority may judge and examine him according to what he has said and done. But he should be given six months or so to familiarise himself thoroughly with the capacity of that organisation to perform. This would be an interesting innovation."

3.65. Asked whether it is not desirable to formulate parameters of autonomy to guard against the possibility of a Chief Executive taking recourse to measures which are not in keeping with national policies, the witness (Shri Tandon) stated:—

> "I fully agree with you. As I said, there are two kinds of constraints. One is the defined constraints, such as the Chairman cannot appoint a person when the salary is more than Rs. 2,000/- and so on, in other words, there should be a schedule of powers. This comes under the category of defined constraints. The other kind is the indefinable constraints such as you mentioned, namely that he may be keeping pace at too high a price or at too low a price. Those are things which will come in the system which I have submitted, namely a quarterly review and a quarterly meeting, where you discuss things in detail, about the raw material situation and so on, and there you can advise him to go easy or go faster forward. That contact with him will bring this out."

3.66. The Committee pointed out that unless Government's vigilance over performance of public undertakings was entrusted to men from trade and industry, there could not be proper control. In reply, the witness (Shri Tandon) stated:—

> "You are overlooking a very important part of the control over the management, namely the board which you appoint. Do not forget that that board contains a number of specialists and a number of other controllers. For

> instance, a good board will have men from the concerned Ministries, Finance and whichever Ministry you have to deal with. In the case of the STC I had suggested to them that I would like seven Ministerial representatives, from Finance, Food, Petroleum and Chemicals, the Reserve Bank—because we dealt a lot in foreign exchange—and so on. They also exercise a fair amount of control. That is the level at which specialised control is exercised upon the budget preparation and the monthly review."

3.67. Asked whether nomination of part-time members on the Board of Directors who could not devote much attention did not act as a constraint, the witness (Shri Tandon) said:—

> "I do not think that this is a serious constraint. So, a good well selected Board, meeting regularly,—and this is most important, and regularly fed with a performance review—is an adequate agency for this purpose. But if I just go through only the agenda in front of me, and as has happened in the case of one or two undertakings, the monthly review is such a smokescreen that it runs into 150 or 200 pages of too many details, then, as Dr. Johnson said, "I am just confused with facts". A well-planned monthly review, no more than 30-35 pages, with a statement of profit and loss account, man-power statement, production statement and all that is enough to give a part-time Director good background of it. I have never felt this difficulty."

3.68. The Committee enquired whether in the opinion of public undertakings the existing instruments of scrutiny and control were adequate for ensuring management accountability to Government and Parliament. In their replies, Fertilizer Corporation of India, Indian Drugs and Pharmaceuticals Ltd., Hindustan Photo Films Mfg. Co., Hindustan Shipyard Ltd., Hindustan Steel Ltd. etc. agreed that in their view existing instruments of scrutiny and control were adequate.

3.69. During evidence of Ministries, Special Secretary, Ministry of Industrial Development stated:—

> "Our idea is that accountability should be on the basis of overall performance rather than on any other consideration. A large amount of powers has been delegated to the boards of directors and the boards have to utilise the

> resources given to them to produce the best results. We have been discussing this in Government at very high level and Government fully accept the view that accountability should be based on overall performance."

3.70. In para 5.16 of their 66th Report on Production Management in Public Undertakings; the Committee had *inter alia* recommended that "Government must formulate a clear policy and see that responsibilities of each level of management were clearly defined in unambiguous terms and laid down in black and white so that whenever any act of omission or conmission came to light it was possible to fix responsibility and bring the persons concerned for the lapse to book." The Committee also expressed the view that "the policy so framed must make the top management of every public sector enterprise fully responsible for overall performance, particularly the production performance." In reply, Government stated:—

> "Government have accepted that the best way to ensure that an undertaking runs with the maximum efficiency is to confer on it maximum possible autonomy and hold it accountable for performance."

3.71. The Committee feel it is of the utmost importance that not only management of public undertaking but the administrative ministry concerned and Government as a whole should be contemporaneously informed of the production and financial results of each undertaking in which nation's scarce resources have been invested. The Committee feel that in the light of experience gained in the working of public undertakings over several years and the technique of production and management reporting developed in recent years, it should be possible for Government to ensure that meaningful reports giving the performance data of each undertaking reach them at least once a quarter so that it can be monitored and suitable measures initiated as necessary in the interest of efficient functioning of the undertaking. The Committee would in this connection like to recall that some of the public undertakings particularly State Trading Corporation, have developed a technique of management reporting which places at the disposal of the management the working results not only for each month but also for each week. The Committee see no reason why with suitable modifications, this technique of management reporting cannot be extended to other public undertakings. This, in the Committee's view, would provide the best discipline for the undertakings to spare no efforts to achieve their assigned role and thus contribute their share in the development of economy.

CHAPTER IV

PRODUCTION ACHIEVEMENTS

A. Products of Public Sector

4.1. The Committee have been informed that the public sector endeavour to supply products and services of standard quality at reasonable rates. Today the manufacturing profile of public sector in India, includes production of aircrafts, ships, rail wagons, teleprinters, computers, electronic equipment, telephones, cables, turbo-sets, hydro-sets, industrial motors, steam and water turbines, crude oil, gas, petroleum products, synthetic drugs, antibiotics, surgical instruments, medical X-Ray films, machine tools, watches, printing presses, agricultural tractors, equipment for steel and mining industries, coal, iron ore, newsprint, cement, steel, fertilizers, etc.

B. Achievement of Production Capacity

4.2. Analysis of replies received from various public undertakings indicates that during 1971-72, the overall position regarding capacity utilisation in these undertakings was as under:—

Percentage achivement of capacity during 1971-72	No of undertakings Projects.
100% and above	7
75% to 100%	15
50% to 75%	14
25% to 50%	10
Less than 25%	6
Total	52

The details are given below:—

(i) *Capacity utilisation of* 100 *per cent or more*: Public sector refineries achieved optimum utilisation of their design capacity. Except Barauni Refinery which worked at 76 per cent of its capacity, the throughput in other refineries had been more than even their design capacity Achievement of capacity was 109 per cent at Cochin Refinery, 107 per cent at Gauhati Refinery, 121 per cent at Gujarat Refinery and 100 per cent at Madras Refinery. There are instances of other industries in the public sector also having not only achieved their rated capacity but even exceeding it. For example, HMT Watch Factory achieved 131 per cent of its rated capacity of Rs. 35 crores per annum. Lubrizol India Ltd. achieved 140 per cent of its rated capacity of 6,000 MT per year on single shift basis.

(ii) *Capacity utilisation of* 75 *per cent to* 100 *per cent*: There are 15 public undertakings/projects where achievement of rated capacity ranged between 75 per cent to 100 per cent. These include Gorakhpur Fertiliser Plant of FCI (95 per cent) Tiruchy Plant of Bharat Heavy Electricals Ltd. (87 per cent), Mandhar Plant of the Cement Corporation of India (82 per cent), Heavy Electrical (India) Ltd. (85 per cent), Hindustan Antibiotics Ltd. (Pencillin 84 per cent). Hindustan Machine Tools Ltd. (82 per cent), Bhilai Steel Plant of Hindustan Steel Ltd. (78 per cent) Hindustan Shipyard Ltd. (80 per cent), Synthetic Drugs Plant of IDPL (89.7 per cent), and Surgical Instruments Plant (76.5 per cent) Indian Rare Earths Ltd. (70.3 per cent to 98 per cent) and Modern Bakeries Ltd. (84.7 per cent), Sindri Fertiliser Plant (75 per cent), Trombay (85 per cent) Nitrogen $+P_2{}^{\cdot}{}_5$

(iii) *Capacity utilisation of* 50 *to* 75 *per cent*: In the case of 14 public undertakings achievement of rated capacity ranged between 50 to 75 per cent during 1971-72. These include Nangal Fertilizer Factory (70 per cent), Namrup Fertilizer Factory of FCI (67 per cent), Hindustan Latex Ltd. (68 per cent), Hindustan Photo Films Mfg. Co. (53 per cent), Alloy Steel Plant of HSL (56 per cent), Hindustan Teleprinters Ltd. (64 per cent), National Coal Development Corporation Ltd. (50 per cent), National Mineral Development Corporation Ltd. (58.7 per cent), National Newsprint & Paper Mills Ltd., Triveni Structurals Ltd. (58.23 per cent).

(iv) *Capacity utilisation of* 25 *to* 50 *per cent*: There were 10 public undertakings where achievement of rated capacity ranged between 25 per cent to 50 per cent. These undertakings include FACT (48.7 per cent), the Durgapur (44 per cent) and Rourkela (46 per cent) Steel Plant, Antibiotics Plant of IDPL (47.5 per cent), Heavy Machine Building Plant of Heavy Engineering Corporation Ltd. (29 per cent), Mining and Allied Machinery Corporation Ltd. (26.6 per cent), Machine Tools Corporation of India Ltd. (25 per cent) etc.

(v) *Capacity utilisation below* 25 *per cent*: In the case of 6 public undertaking/projects, achievement of rated capacity was less than 25 per cent. These undertakings are Hardwar Plant of Bharat Heavy Electricals Ltd. (12.6 per cent), Bharat Heavy Plates and Vessels Ltd. (12 per cent), Bharat Opthalmic Glass Co. (16 per cent), Foundry Forge Plant (18.56 per cent) and Heavy Machine Tools Plant (7.4 per cent) of the Heavy Engineering Corporation Ltd., Tannery and Footwear Corporation Ltd. (24 per cent).

4.3. Considerable improvement in the utilisation of capacity has been noticed in the case of the following undertakings during the last five years:—

Undertaking	Percentage achievement of rated capacity	
	1967-68	1971-72
1	2	3
1. Tiruchy Plant (BHEL)	36%	87%
2. Hardwar Plant (BHEL)	0·13	12·6
3. Hindustan Latex Ltd. .	37% (1969-70)	68%
4. Hindustan Antibiotics Ltd.	70·89%	84·43%
5. Hindustan Machine Tools Ltd (Machine Tools Division)	33·80%	82·36%
6. Hindustan Photo Film Mfg. Co.	15%	53%
7. Bhilai Steel Plant (HSL) .	71%	78%
8. Alloy Steel Plant (HSL)	14%	56%
9. Hindustan Shipyard	67% (1969-70)	80%
10 Hindustan Zinc—Ltd Debari Zinc Plant	24·0% to 32·9%	61.6% to 84%

1	2	3
Zawar Mines	62·2% to 78.4%	89·4 to 99%
11. Gauhati Refinery (IOC)	108%	107%
12. Indian Telephone Industries Telephones	84%	98%
—Exchange Lines . . .	84% to 99%	76% to 116% (1970-71)
13. Lubrizol India	73% (1969-70)	140%
14. Madras Refineries,	73·5% (1970-71)	100%
15. Tannery & Footwear Corpn. of India	10% (1969-70)	24%

4.4. In the case of the following undertakings achievement of rated capacity has, however, shown a downward trend:

	1967-68	1971-72
1. Damodar Valley Corporation	68% (1968-69)	67%
2. Fertilizers & Chemicals Travancore (Super phosphate production)	85·2%	32·8%
3. Hindustan Antibiotics Ltd. (Streptomycin Production) .	96·7%	94·60%
4. Hindustan Cable Ltd. —Dry Core Cable .	80·4%	48·6%
Coxial	69·0%	34·0%
5. Durgapur Steel Plant (HSL)	46%	44%
6. Rourkela Steel Plant (HSL) . .	51%	46%
7. Hindustan zinc Tando Lead Plant Lead	64·9%	49%
Silver	60%	53%
8. Indian Oil Corporation (Barauni) . . .	83%	76%
9. National Mineral Development Corporation Ltd.	93·42%	58·70% (Production restricted to match export commitment)
10 Triveni Structurals . .	111·2 % (19687—0)	68·23%

4.5. Dealing with the problem of under-utilisation of capacities in public undertakings, the Committee on Public Undertakings (1971-72), had in para 6.46 of their Sixty-Seventh Report on 'Production Management' observed that:—

> "Present sporadic attemps being made by each Ministry to deal with this problem without any degree of coordination cannot be expected to make any significant contribution to solve this vexing problem. The Committee, therefore, strongly feel and suggest that a high level Expert Committee be appointed by Government to make a thorough and systematic assessment of under-utilisation of capacities to detect the causes of under-utilisation in each case and suggest remedial measures, both long term and short term, to minimise the incidence of under-utilisation in various Public Undertakings."

4.6. In reply, Government stated that steps being taken to tackle the problem of under-utilisation of capacities included improvement in the organisation and management of maintenance, in supplies and quality of raw materials including refractories, productivity, etc. It was also stated that the Bureau of Public Enterprises watched the performance of the enterprises by obtaining regular returns from the units. Periodic performance reviews were also carried out at the highest level in the Finance Ministry and the administrative Ministries concerned. In view of these considerations, Government felt that "no useful purpose will be served by appointing a high level Expert Committee at the present moment to make an assessment of under-utilisation of capacity and suggest remedial measures. If necessary, this can be done after the result of all the steps taken fructify." After considering the reply of Government, the Committee reiterated their recommendation in their Ninth Report (5th Lok Sabha) and observed as under:—

> "The Committee do not deny the fact that Government have been taking steps to tackle the problem of under-utilisation of capacities in public sector undertakings. The point for consideration is how far these steps have proved effective. The Government have themselves admitted the existence of under-utilisation of capacities. This problem had been with the public sector for a number of years and still no satisfactory solution appears to be in sight. The country has invested large sums of money in setting up public undertakings with huge capacities for production. If these capacities remain under-utilised for years,

> the very functioning of the enterprises would tend to be uneconomical and would add to the cost of production. In view of these considerations, the Committee strongly feel and reiterate their recommendation that a high level expert Committee should be appointed by Government to go into this problem of under-utilisation of capacities. The Committee are not in favour of allowing this problem to linger on any further."

4.7. During evidence and in their Supplementary Note, the Fertilizer Corporation of India Ltd. have stated that their Nangal Unit (Punjab) attained its rated capacity in 1969-70 but cannot do so now because of non-availability of power. Gorakhpur Unit (UP) had attained 95 per cent of its capacity in 1971-72. This Unit could, it has been stated, work even in excess of its capacity provided U.P. State Electricity Board met the power requirements in full. Trombay Unit (Maharashtra) which had some basic design and engineering deficiencies in the Ammonia and Complex Plants would be achieving its full capacity by 1973-74. Namrup Unit (Assam) could not achieve full capacity due to various teething troubles. Sindri Unit (Bihar) was set up in 1951 and is the oldest plant. Though installed capacity of this plant was 117 thousand tonnes of Nitrogen, Kasturirangan Committee had assessed its "attainable capacity" as 99 thousand tonnes of nitrogen per annum.

4.8. The representative of Heavy Engineering Corporation stated that they expected to achieve 80 per cent of rated capacity in Heavy Machine Building Plant by March, 1975 and 100 per cent by March, 1976. Foundry Forge Plant and Heavy Machine Tools Plant would achieve 80 per cent of their respective capacities by March, 1976 and March, 1977 respectively.

4.9. The representative of the Hindustan Photo Films Mfg. Co. stated that in March, 1973 production of Medical X-Ray film was expected to match the rated capacity. The rated capacity of photographic paper would be achieved in 1973-74. Capacity for Black & White Film could not be achieved because demand for that had dropped and the industry had switched over to colour films. Company had no facility at present to manufacture colour films.

4.10. The representative of the Hindustan Shipyard Ltd. stated that production at their Shipyard had ranged between 67 to 80 per cent of the rated capacity of 3 ships per annum. Main constraints to the achievement of full capacity were lack of power, insufficient orders, delay in supply of cranes by the indigenous suppliers. He added that last year the Finance Ministry had given them half yearly bulk release of foreign exchange. This year the Ministry had in principle accepted to give one per cent of their total import requirements as free Foreign Exchange. This would unable the Shipyard to buy small items as and when needed.

The Committee enquired as to how was it that during the last 15/20 years, new entrants like Poland and Yugoslavia had stolen a march over India in the ship building field. In reply, the witness stated that though a complete study had not been made but it appeared that in India "long-range planning to assess what is required has probably not been done here". He added "there have also been frequent changes in the Heads of the Organisation. They were not long enough in their posts."

4.11. The representative of Hindustan Steel Ltd. stated that "within three years time all the three plants should be operating between 90 per cent to 100 per cent of their capacities.".

4.12. The representative of the Indian Drugs and Pharmaceuticals stated that the capacity of Synthetic Drugs Plant, Hyderabad was being raised from 826 tonnes to 1455 tonnes per annum. In 1972-73, the plant's production was expected to be 1232 tonnes. He added that the main constraint on the utilisation of full capacity of this plant was shortage of Alcohol. Relaxation of prohibition, had, it was stated, led to the shortage. The Plant met its requirements of Alcohol from the States of Maharashtra, Madhya Pradesh, Mysore and Uttar Pradesh.

The representative of IDPL added that as far as the Antibiotics Plant, Rishikesh was concerned, the position had to be reviewed product-wise. The original DPR included Chloro-Tetracycline. Now this product had become absolete. There was, therefore, no question of achieving its rated capacity Nystain had a restricted market. It was no use producing full quantity of it. Tetracycline and Oxy-tetracycline were being produced to rated capacity. Production of Streptomycin had posed a problem of finding out the right potency. After prolonged research Russian Collaborators had pointed out that excess use of formalin by them had ensured the sterility of the product but had led to reduction in the potency of product. By trial and error, the problem had been solved but the problem of yield was still there. Rishikesh Plant was getting only half the yield from the strains in use whereas Russian collaborators were getting double in their parent Plants. The witness said, "Indian Soyabean and the Soviet Soyabean are similar only in name." The Plant is facing difficulties in getting maize starch.

Because of drought in Saurashtra, special quality of groundnut oil required for antibiotic production may not be available. Though Rishikesh plant had been exempted from power cut some times power grid got overloaded resulting in shut down of the plant. He added that even a shut down of 5 minutes ruined the plant, put back the cycle of production by ten or fifteen days and it took a long time to restart it. Nevertheless the witness assured, "My anticipation is that in this plant, we should reach this rated capacity in 1973-74 when we would have solved our internal problems." Regarding Surgical Instruments Plant, he stated that there was lack of demand. Orders from the Soviet Union had helped this plant to keep its production going. The production in this plant used to be Rs. 15 to 18 lakhs worth of instruments. Now it was producing Rs. 63 lakhs of instruments. In 1972-73, the production may go up to Rs. 83 lakhs. A power cut of 35 per cent imposed on this plant two months ago had since been reduced to 10 per cent.

4.13. The Fourth Plan Mid-term Appraisal (Vol. I) (December, 1971) stated that "Industrial production has been held back basically by two sets of factors: (1) those that have basically inhibited utilisation of capacity and (2) those that have inhibited growth. A substantial sector has been suffering from under-utilisation of capacity." In a note furnished after the evidence, the Planning Commission have stated that:-

> "It is true that growth of capacity and production in certain key industries like steel, fertilizer etc. has not kept pace with the requirements and consequently imports had to be resorted to. The gap will have to be narrowed firstly by achieving optimum production from the capacities already installed in the public sector. The Government is fully conscious of this fact and an action group under the Chairmanship of Member, planning Commission has been set up to go into the working of individual undertakings and suggest remedial measures for improvement."

4.14. The Committee are glad to note the high level of utilisation of capacity achieved by public sector Refineries (Gujarat Refinery-121 per cent, Gauhati Refinery—107 per cent, Cochin Refinery—109 per cent, Madras Refinery—100 per cent) and by the HMT Watch Factory (131 per cent) and Lubrizol India Ltd. (140 per cent). This is an impressive achievement.

It is a matter of satisfaction to the Committee that several public enterprises have brought about considerable improvement in capacity utilisation in 1971-72 as composed to the level of utilisation in 1967-68. There are, however, certain undertakings where the capacity utilisation is far from satisfactory. For instance, the percentage of achievement of rated capacity in 1971-72 by Hardwar Plant of Bharat Heavy Electricals was 12.6 per cent, by Tannery & Foot-Wear Corporation, 24 per cent, by Co-Axial Plant of Hindustan Cables 34 per cent, by Durgapur Steel Plant of Hindustan Steel, 44 per cent, etc. etc. The main reasons for non-achievement of rated capacity were shortage of power, insufficient orders, lack of raw materials, change of pattern of demand, insufficient quantum of foreign exchange etc.

4.15. The role of public sector in terms of Industrial Policy Resolution is generally accepted. Concern is, however, voiced about the performance of public sector and this in particular concerns the actual production turn-out as compared to the installed capacity. The Committee need hardly point out that the underutilisation of production capacities not only leads to locking up of scarce resources but also results in wide-spread reprecussions in linked industries and heavy avoidable imports. It has also the effect of inflating the cost of production and adversely affecting the financial results of the undertakings. Besides, it means that the plant and machinery may become obsolescent and even unprofitable because of technological development before full value of the investments made had been derived.

4.16. The Committee would also recommend that Government should immediately analyse the reasons for this persistent underutilisation of capacities in the various undertakings and take remedial measures in respect of each of them. These measures and the improvements made should be reviewed every year and the same specifically brought to the notice of Members of Parliament through a special Chapter in the Annual Report of the Bureau of Public Enterprises on Central Government Industrial and Commercial undertakings. It should bring out in clear terms the percentage of utilisation of installed capacities and the reasons for idle capacities, if any, its implications in financial terms and the remedial measures taken or proposed to be taken by Government to improve utilisation of capacity in the public Sector.

C. Diversification of Production

4.17. In order to utilise their idle capacity, some of the enterprises in the public sector took to diversification of their production

For example, when recession hit the machine tools industry, Hindustan Machine Tools Ltd. diversified into new lines of manufacture *viz* Watches, Printing Presses, Tractors, etc. It was stated by the Company that "HMT's experience in entering into manufacture of watches which was outside the machine tools business has proved to be very successful for the Company."

4.18. Air India had diversified its activities. In January, 1972 Air India had set up a subsidiary company called the "Air India Charters Ltd." This company is operating three flights per week to and from Europe. Air India had also formed another wholly owned subsidiary in July, 1971 called the "Hotel Corporation of India." This Corporation is to set up two 5—Star Hotels in Bombay in the first phase of their programme.

4.19. Bharat Heavy Electricals Ltd. stated, "Internationally, more particularly in western countries every one of the large houses manufacturing turbines and generators have a wide range of product lines extending from electric bulbs to nuclear power turbines, from very small fractional horse power motors to rolling mill drives" Bharat Heavy Electricals, Ltd., have admitted that "a stage may come even in our country when it would be necessary both from the point of view of economical working of these undertakings as also from the point of view of fully utilising the managerial and technical expertise developed in the country to continuously diversify into other areas."

4.20. The Fertilizer Corporation of India is of the view that "there is considerable scope for the Corporation to diversify its present product lines and such diversification, apart from being commercially profitable, will be in the larger interest of the country." It was stated that some of the major intermediate/final products, especially synthesis gas, ammonia and urea, produced in the existing and planned manufacturing facilities, were the starting materials for a large number of basic chemicals products such as acrylentrile and caprolactum, hexamethylene tetramine, cryolite and other floorine compounds, methylamines, alkanolamines, and melamine, urea-hydrogen peroxide and dimethylol ethlene urea (DMEU) etc. For instance, the production of PMMA and melamine could give a new dimension to the plastics industry in the small scale/medium scale sector.

4.21. Excepting the East European countries, USSR and other Communist countries, the Drug Houses are mostly private firms. These are giant firms like Hoechst, Bayer, Parke Davis, Lederle

Merck, Sharp and Dohmo, Sandoz, Ciba, Glaxo, British Drug House, Burroughs Wellcome, Roche, ICI etc. These companies have an international field of business and reputation. However, one of the main features which differentiates these companies from undertakings in India like Indian Drugs and Pharmaceuticals Limited and Hindustan Antibiotics Ltd., is the fact that although they are popularly known drug companies, their range of products extend from cosmetics to electronics, from veterinary products to pharmaceuticals and include such disparate items like dye stuffs, laboratory chemicals, industrial raw material and intermediates, textile chemicals, agro-chemicals, over-the-counter consumer products like baby food, tooth paste, shaving creams, sun cream, lotions, shampoos cookies, candles, chicklets, formicatops etc.

4.22. In a note furnished after the evidence, the Indian Drugs and Pharmaceuticals Limited have stated that the share of the IDPL in the pharmaceuticals industry is only about 8 per cent. The company has not, therefore, considered it desirable to diversify into manufacture of "over-the-counter' consumer products like baby food, tooth paste, shaving cream etc. but are "concentrating on expansion of the capacity of the common drugs so that by the end of the Fifth Plan at least a 15 to 20 per cent share of the turnover of the drugs industry for the public sector could be achieved. IDPL has, however, entered the field of veterinary medicines and drugs in a big way. Even among the over-the-counter products, the company is aiming only at having preparations like general tonic Glycero-phosphate with B-Complex Vitamin and Cough Syrups.

4.23. The Committee note that even where attempts have been made by individual undertakings for diversification of their production, such attempts have been rather sporadic and diffused and no serious efforts seem to have been made to have a comprehensive plan of diversification consistent with the market trends of the products. The Committee would recommend that Government should pay special attention to the question of diversification and create a machinery for taking suitable steps in this direction with a view to deriving maximum benefit from the installed capacity in various modern techniques.

D. Increase in value of Production

4.24. Total production by public sector undertakings in terms of value at cost (including provision for all optrating expenses, depreciations, excluding interest on loans and without profit element) during the last 5 years (1967-68 to 1971-72 was as under:

No. of Public Undertakings	Year	Value of Production at cost (Rs. in crores)	Percentage increase over the previos year
55	1967-68	1,902	36·5
61	1968-69	2,286	20·2
72	1969-70	2,909	27 22
78	1970-71	3,357	15·4
84	1971-72	3,960	17·9

E. Increase in Quantum of Production

4.25. A statement showing increase in production of various undertakings in terms of quantity in 1971-72 over the level of production achieved by them in 1967-68 is given at Appendix I. It will be seen therefrom that as compared with 1967-68 production has gone up by 31 times in the case of Modern Bakeries Ltd., 16 times in Bharat Opthalmic Glass Co., Ltd; 7 times in Machine Tools Ltd; 6 times in Surgical Instruments Plant of IDPL; 3 times in Hindustan Photo Films Mfg. Co.; about 2 times in Indian Rare Earths Ltd. and Hardwar Plant of BHEL (Hydro sets), etc.

4.26. The Committee note with satisfaction that in the case of 30 Undertakings/Plants there has been a notable increase in the quantum of production during the period from 1967-68 to 1971-72.

F. Achievement of Targets of Production

4.27. A statement showing the targetted and actual production during the last five years (1967-68 to 1971-72) in terms of quantity and value, in respect of public undertakings which had gone into production and had furnished data on production is appended to this Report. (Appendix II).

It will be seen therefrom that during 1971-72 actual production exceeded the targets at Tiruchy plant of Bharat Heavy Electricals Ltd., Electronics Corporation of India; Heavy Electricals (India) Ltd; Hindustan Photo Films Mfg. Co; Hindustan Anti-biotics Ltd. (Pencillin Production); Oil and Natural Gas Commission (Crude oil), National Instruments Ltd., National Newsprint & Paper Mills Ltd., Madras Refineries, Modern Bakeries Ltd., Instrumentation Ltd., etc. There were many undertakings which achieved their targets substantially, the shortfalls in their cases being only 10 per cent or below.

4.28. There are, however, certain undertakings/plants where shortfalls in production targets have been as high as 50 per cent or more. For instance, Hardwar plant of Bharat Heavy Electricals, Synthetic Drugs Plant of IDPL in 1967-68; Bharat Opthalmic Glass Co. Ltd. and Hindustan Cables Ltd. in 1968-69 to 1971-72; Heavy Machine Tools Plant of Heavy Engineering Corporation in 1971-72 and Cement Corporation of India Ltd. in 1970-71 etc.

4.29. Shortfall in achievement of targets by Hardwar Plant in 1967-68 was stated to be due to (i) high percentage of rejections of forgings and castings supplied by indigenous manufacturers and (ii) delays in receipt of components and materials. Shortall in achievement of targets by Bharat Opthalmic Glass Company Ltd. in the years 1968-69, 1969-70, 1970-71 and 1971-72 were stated to be due to (a) usual initial technical difficulties and (b) strained industrial relations (c) low labour productivity. In the case of the Cement Corporation of India shortfall to the extent of 95 per cent was due to the fact that the Corporation went into commercial production from 19th July, 1970 and production was for part of the year only (i.e. from 19-7-70 to 31-3-71). The Electronics Corporation of India Ltd. could not achieve the targets of production in 1967-68, the year of its inception as there was "delay in shifting of men, machinery and material from Bhabha Atomic Research Centre, Bombay to Hyderabad and also due to delay in recruitment and training of skilled workers and delay in receipt of imported raw materials and equipment. In the case of Heavy Engineering Corporation Ltd. reasons for shortfall were that in the initial years adequate orders for the type of equipment for which the plants had been set up were not forthcoming, frequent breakdown of furnaces and presses, dislocation of supplies due to labour trouble, etc. The Corporation has admitted that initial targets of production were "very optimistic." Synthetic Drugs Plant of Indian Drugs & Pharmaceuticals Ltd. faced "commissioning and stabilisation problems", during the initial years of its working.

4.30. In para 7.24 of their Sixty-Seventh Report on "Production Management", the Committee on Public Undertakings (1969-70) recommended that:—

> "The Committee find that at present public undertakings are completely free to fix up annual targets of production at whatever level they consider necessary and to revise them.

> Government was merely kept informed. The Committee feel that this practice needs review. Under the existing practice there was every possibility of an undertaking fixing lower targets than the rated capacity and thus covering up its poor performance. The Committee recommend that Annual Targets of production should be fixed after taking into account all the relevant factors into consideration particularly the demand as assessed by the Planning Commission, market surveys conducted by the enterprise itself, the rated capacity of the plant and machinery etc. Enterprises having Technical Directors in their Board of Directors should, wherever possible take advantage of his objective technical appraisal of production capacity. The Committee are of the view that undertakings should be free to fix annual targets of production so long as they are equal to or near the rated capacity. But if an undertaking wants to fix a target lower than the rated capacity inspite of there being a clear demand for the products it would get prior approval of Government. This will give an opportunity to Government to satisfy itself whether deviation from rated capacity in a particular case is justified or not."

The Government agreed with this recommendation and issued necessary directives on the 18th March, 1971.

4.31. During evidence, the representative of the Heavy Engineering Corporation stated that the first blast furnace manufactured by them in India went into operation in Bhilai in 1971. The 25th blast furnace which went into operation at Bokaro in the 25th year of India's Independence was also manufactured by them. The Pig Casting Machine which was put on stream by the Prime Minister was no other than the one manufactured by HEC.

Asked whether level of production in HEC was only half of what should have been achieved, the witness said:—

> "I would also like to mention that we, as Managers, are not magicians, we have to work in a very planned and systematic manner, if we have to achieve good results. The results are that from a level of about only 20 per cent two years ago, we are now at about 40 per cent (of

> rated capacity) in the most difficult item which we manufacture, the mechanical equipments, we hope that we will again double this in the next two years."

The Committee enquired why H.E.C. was not able to cater to the demand of public sector enterprises like Hardwar Plant of BHEL for forgings. In reply, the representatives of HEC stated:—

> "We have come to a very definite conclusion that even at full capacity, the HEC will not be able to cater to the needs of the burgeoning heavy engineering industry—electrical, steel, metallurgical, petro-chemicals and so on. After a careful study it has been decided, in consultation with the HEC, that the foundry capacity in the country will have to be augmented within the next four to six years. This means that even after we have reached our rated capacity, we will not be able to meet the demands which are now in offing. For this purpose, this expansion is taking place."

Asked whether HEC had been able to meet the demands of ONGC, for rigs for deep drilling, the representative said:—

> "We have made supplies (of rigs) to the ONGC, but at the present moment, we have no orders. We have not had any complaint regarding operation of rigs. In fact, we are negotiating for deeper rigs with the ONGC and have requested them to project their requirements well in advance and not give us too short a delivery time. The next lot of rigs, we will have in India, will be deeper ones, and to designs to which ONGC will have access."

4.32. During evidence, the representative of Hindustan Photo Films Mfg. Co. stated that the technology used by the Company is a one which has been developed entirely by their own technicians. At present Company was able to meet only 70 per cent of the demand of Government Departments for Medical X-Ray films. The rest of the demand was met from the imported stock.

The Committee enquired if the Company proposed to enter the field of manufacture of colour films. In reply, the representative said:—

> "Colour film manufacture needs a new plant and it will take a little time for us to set up a plant for that purpose. The demand for black and white is coming down and we have

a certain capacity at the convention stage. What we are planning now is to import coated films from abroad, perforate them so that we shall utilise a part of the equipments and feed the market. Once we gain experience in this field we can extend it to the manufacture of colour films."

4.33. During evidence, the representative of Hindustan Steel Ltd. stated that from inception to March, 1972, they had produced 11.5 million tonnes of pig iron for sale and 26 million tonnes of salable steel, valued at over Rs. 27,000 million. This production had saved the country as much as Rs. 16,380 million worth of imports by March, 1971 which would have otherwise been imported. The three plants of HSL had been expanded from 3 million tonnes to a total of 5.9 million tonnes capacity—Bhilai to 2.5, Rourkela to 1.8 and Durgapur to 1.6 million tonnes. Bhilai would be attaining 2.12 million tonnes during 1972-73 and may reach 2.25 mark next year. Rourkela's roof collapse last year had affected the production but this year the production had come up well. Its production would be about 1.2 million tonnes. The representative added "But Durgapur Plant continues to be problematic. We expected that the labour situation would improve this year but it continues to be bad." He further added, "In the past, target setting has been done on a somewhat unrealistic basis. They said, this is the ultimate rated capacity and no allowances were made for the actual imbalances which existed. Now we have a much closer dialogue with the Ministry in target setting. Of course, as it happens, the Ministry naturally adds a little additional challenge into our target. We also add a little challenge for our General Managers, so that actually our targets set internally are a little higher."

4.34. During evidence, the representative of the Indian Drugs & Pharmaceuticals Ltd. stated that until their company came on the scene, "Large quantities of bulk drugs of all sorts were being imported by subsidiaries of foreign companies and even Indian companies and the pharmaceuticals industry was merely a packaging industry turning the bulk imports into tablets, capsules or vials. It was not really a basic industry in the sense that you can make the thing *ab initio* from the basic materials." He added "The pharmaceuticals industry was created a long time ago during the British regime when foreign companies like Glaxo and others gained a foothold and a lead which still continues unabated. We were merely camp followers so far as the large formulations are concerned.

4.35. The Committee were informed that production at the three plants of I.D.P.L. "had come up very well". Total sales of these plants had increased from Rs. 1 crore in 1968-69 to Rs. 16 crores in 1972-73. In 1973-74, the sales were expected to be Rs. 21 crores. Synthetic Drugs Plant, Hyderabad had already reached very near to its rated capacity but Antibiotics Plant, Rishikesh had labour troubles, demands, strikes and lockouts, with the result that the plant which was scheduled to break even in 1972-73, would be able to do so only in 1973-74. Production at the Surgical Instruments Plant, Madras, had increased from Rs. 18 lakhs in 1969-70 to Rs. 63 lakhs in 1971-72. In 1972-73, the plant would be able to do about 80 lakhs. Entire production of this plant was exported to U.S.S.R.

4.36. During evidence, the representative of Hindustan Shipyard stated that so far the Shipyard had produced about 4.82 lakh DWT and contributed to about 14 per cent of country's shipping needs. The witness admitted that:—

> "One thing I must admit is that the modernisation and the growth of the shipyard has been on a limited scale during the last 25 years. We have not been able to do so due to various causes. There is no infrastructure in the area. Government has now set up a planning group to study carefully shipping requirements for the Fifth Five Year Plan...... how much of this can be locally produced, what steps have to be taken to prepare ourselves to produce major portion of shipping requirements both in tonnage and size in the country itself?"

The Committee pointed out that by the time the production of 2.60 lakh DWT ships was taken up in the country, ships of that size might become outmoded. In reply, the witness explained:—

> "While in most countries they have gone up to half a million and even one million tonnes, our dealers still feel that a 2,60,000 DWT will be the most acceptable one, especially in the development of this country because the port facilities are not developing fast. The shipowners particularly, the Shipping Corporation and private owners have also felt that this type of ship will be the most acceptable one because with this size of ships operation and other costs are cheaper and profit is higher."

4.37. The Special Secretary, Ministry of Industrial Development stated that the basic reasons for non-fulfilment of targets were a little unrealistic setting up of targets knowingly or unknowingly, bottlenecks of raw materials and transport, industrial relations and power supply.

4.38. The Secretary, Ministry of Steel stated that they were trying to identify factors controllable and uncontrollable. The factors at Durgapur were of a complex nature *viz* power inadequacy, industrial relations and transport problems. In Rourkela, the difficulties were largely due to lack of power.

4.39. The Secretary, Ministry of Petroleum and Chemicals stated that so far as Sindri Fertilizer Plant was concerned, though targets were set realistically, there was inadequacy of the required quality and quantity of the two main raw materials *viz.* gypsum and coal and breakdown of machinery due to ageing etc. At Antibiotics Plant, Rishikesh also difficulty had been of power shortage which affected production in a chemical plant badly. At Surgical Instruments Plant, Madras problem was of demand. Samples were taken to Medical Departments and big hospitals but they said "We are not accustomed to these kinds of instruments. They are too big, not meant for Indian conditions." Therefore, all the 166 types of instruments could not be manufactured because there were no buyers. Some new types had been made for Indian conditions and they were now manufacturing 50 to 60 types of instruments as against the capacity of 166.

4.40. In their Memorandum to the Committee, Indian National Trade Union Congress has noted that "production in most of the public sector undertakings is much below the installed capacity." It has expressed the view that "labour is not responsible for this sorry state of affairs." According to it, the main reasons for the shortfall of production are (i) shortage of raw material, (ii) bureaucratic approach, (iii) inexpert management, and (iv) unimaginative personnel policies.

4.41. Hatia Kamgar Union, Ranchi feels that production lags behind targets due among other reasons to 'lack of coordinated planning in organising different stages of production.'

4.42. Ispat Karamchari Sangh, Ranchi believes that whenever there is any shortfall in production, the follies of the management are covered up by reporting labour troubles or laying blame on the Trade Unions. According to it, the factors which hinder production are insufficient emphasis on planning, overestimate of demand, prolongation of the Construction period, increase in Capital costs, underutilisation of capacities, bad industrial relations etc."

4.43. Talcher Fertilizer Workers Union has observed that "the idle capacity is in effect the man-made lockout by the Management."

4.44. **The Committee are glad to note that during 1971-72 production exceeded the targets at Tiruchi Plant of Bharat Heavy Electricals Ltd., Electronics Corporation of India, Heavy Electricals (India) Ltd., Hindustan Photo Films Mfg. Co., Hindustan Antibiotics Ltd. (Penicillin Production), Oil and Natural Gas Commission (Crude Oil), National Instruments Ltd., National Newsprint and Paper Mills Ltd., Madras Refineries, Modern Bakeries Ltd., Instrumentation Ltd. etc. The Committee also note that there were many undertakings which achieved their targets substantially, the shortfall in their cases being only 10 per cent. The Committee, however, cannot but view with concern instances, even if they are few in number, where shortfalls in achievement of targets were as high as 50 per cent and more, for example, Hardwar Plant of Bharat Heavy Electricals Electronics Corporation of India, Synthetic Drugs Plant of IDPL in 1967-68, Bharat Ophthalmic Glass Co. Ltd. and Hindustan Cables Ltd. in 1968-69 to 1971-72, Foundry Forge Plant of Heavy Engineering Corporation Ltd. in 1969-70 and Cement Corporation of India Ltd. in 1970-71. The Committee are unable to see why shortfalls in achievement of targets of production should be so high. The Committee recommend that undertakings should neither fix over-ambitious targets and find it too difficult to achieve them nor pitch them low deliberately so as to cover up poor performance. The Committee would like to invite the attention to their recommendation in their 67th Report on "Production Management" and reiterate that annual targets of production should not only be fixed after taking into account all the relevant factors pertaining to production but such targets should be equal to or as near to the rated capacity as possible and fixation of targets lower than the rated capacity should be with the prior approval of Government.**

4.45. From the replies furnished to the Committee and the views expressed at the time of evidence by representative of some of the leading public undertakings, the main factors which can be said to have been responsible for non-achievement of targets of production in varying degrees, in different industries in the public sector, were (i) shortage or irregular supplies of power; (ii) shortage and irregular supply of raw materials, components, stores and spares; (iii) lack of demand for products; (iv) inadequate maintenance of plant and machinery, (v) strained industrial relations; (vi) non-availability of foreign exchange and procedural delays in obtaining import licences etc; (vii) teething troubles in the case of new plants, etc., (viii) technological or other problems.

4.46. **Production is the need of the hour. Needless to emphasise that non-achievement of targets of production and under-utilisation** of capacity have an adverse effect on profitability of the undertaking. Public Undertakings should, therefore, do all in their power to achieve optimum level of production and thus contribute to the achievement of country's goal of achieving self-reliance. In this connection, the Committee note that Government have appointed an "Action Committee" to identify the problems in the way of achievement of optimum production and find solutions therefore. They hope that this Committee will be able to find abiding solutions to the difficulties experienced by the public sector enterprises in stepping up their production.

4.47. The Committee also recommend that public undertakings should set up "Monitoring Cell" to carry out concurrent review of the production performance, identify the weak areas and initiate remedial measures promptly so as to ensure that production does not lag behind but conforms to estimates of quantity, quality, time and cost.

G. Gestation Period

4.48. Detailed Project Reports of the following Public Undertakings did not mention any "Gestation Period":—

1. Bharat Heavy Electricals Ltd. (Hardwar Plant)
2. Bharat Ophthalmic Glass Company
3. Bokaro Steel Ltd.
4. Heavy Engineering Corporation Ltd.
5. Hindustan Teleprinters Ltd.
6. Hindustan Zinc Ltd.
7. Indian Drugs & Pharmaceuticals Ltd.
8. Refineries of Indian Oil Corporation Ltd.
9. Kiriburu & Bailadila Projects of National Mineral Development Corporation.
10. Neyveli Lignite Corporation Ltd.

4.49. There are instances when public undertakings achieved full rated capacity or break even point earlier than the normal gestation period stipulated in the Detailed Project Report. For example, it was mentioned in the DPR, that Tiruchi Plant of Bharat Heavy Electricals Ltd. would reach break even point in the 4th year of its working and attain rated capacity in the 7th year of its working but the Plant achieved the break even point in the 3rd year (*i.e.* in 1968-69) and attained its rated capacity in the 6th year itself *i.e.* in 1971-72.

Bharat Pumps & Compressors Ltd. have stated that Pumps & Compressors Plant was expected to reach its full rated capacity at the end of 3rd year of production as envisaged in the Report. Bokaro Steel Ltd. also expects that it would be possible to attain 90 per cent capacity in 3 years after the entire stage I is completed, the attainable capacity during the first and second years being 60 per cent and 80 per cent respectively.

4.50. Actual Gestation period has been more than the normal in the case of some undertakings including the Fertilizer Corporation of India Ltd., Heavy Electricals (India) Ltd. Hindustan Photo Films Mfg. Co. Hindustan Steel Ltd. Indian Drugs & Pharmaceuticals Ltd. Machine Tools Corporation Ltd., Mining & Allied Machinery Corporation Ltd., National Newsprint & Paper Mills Ltd.

Reasons why the gestation period has been excessive in the case of these undertakings vary from undertaking to undertaking. It has been stated that the normal gestation period assumed in the project report for a large-sized fertilizer project (e.g. 600—900 to ammonia/day) is about 36 to 42 months from the date of Government's final clearance for the financial and import arrangements. There have been over-runs on the normal gestation periods between start of construction and final commissioning by one to two years in respect of projects presently under execution by the Corporation. Details are given below:—

	Plant	Scheduled date of completion of construction	Date of completion of construction	Date of commissioning
1.	Durgapur Fertilizer Plant	October, 1969	October, 1971 (actual)	August, 1972 (expected to go into production in May, 1973)
2.	Barauni Fertilizer Plant	March, 1971	July-August, 1973 (expected)	Not yet commissioned
3.	Namrup Fertilizer Plant's expansion	April, 1971	July, 1973 (expected)	Not yet commissioned
4.	Ramagundam Talchur Fertilizer Plant	January, 1975	June, 1975 (expected)	Not yet commissioned

4.51. These delays have resulted in loss in production and increase in departmental charges, financing charges and per diem charges of foreign technicians to the extent indicated below:—

		Less in Production	(Rs. in crores) Increase in departmental Charges etc.	Total
(i)	Durgapur Plant	51·76	10·14	61·90
(ii)	Barauni Plant	21·10	6.71	27.81
(iii)	Namrup Expansion	25·55	6·83	32·38
	TOTAL	98·41	23·68	122·09

4.52. The reasons for the longer gestation period at these plants were (i) delay in supply of steel and other critical raw materials for fabrications, (ii) longer delivery schedule offered by Indian Fabricators (iii) lack of design/engineering facilities with indigenous fabricators.

4.53. During evidence, the Committee enquired what was the usual gestation period for a fertilizer plant in other parts of the world. In reply, the representative of the Fertilizer Corporation of India said:—

> "The new technology which is being employed now a days, that is the single-line centrifugal machinery based plants, take 12 to 18 months. That is the experience in other parts of the world. For example, the ICI fertilizer plant at Billingham which had been the fore-runner in the new technology, their plant was delayed by 18 months and their main equipment also failed. Similarly, in other parts of the world, namely, in the Middle Fast, the gestation period had been similar and I do not say that this cannot be improved upon by us. Certainly, it can be done but by nature these heavy industries take a longer time."

4.54. In the case of Heavy Electricals (India) Ltd. the D.P.R. envisaged that it would take the project about 5 to 8 years, depending onproducts, to achieve full planned production of any product. Since all products could not be started simultaneously, it is expected that it would take at least 8 years to achieve full production after commencing manufacture of the major product. The reasons for delay being delay in completion of factory blocks, decision to undertake the entire project instead of undertaking phased execution, change in the product-mix etc. Hindustan Photo Films Mfg. Co. expect that in view of the highly specialised nature of the industry, and as the technology acquired was not a modern one, it will not be possible to adhere to 5 years gestation period envisaged in the D.P.R. for build up of full production.

4.55. A gestation period of 3 years is normally allowed in the steel industry before production at full rated capacity is achieved. Hindustan Steel Ltd. had been able to attain rated capacity within periods ranging between 2 to 4 years at Million Tonne Plant stage but the achievement in respect of Expansion Units has not been satisfactory. HSL expects that "progressively by 1976-77 more than 90 percent utilisation of capacity may be achieved." The reasons which led to a much longer gestation period are stated to be:—

(i) Imbalances in operating the integrated Steel plants and lack of balancing facilities;

(ii) Higher sophstication of processes and equipments requires a higher degree of skills and managerial ability, which takes time to develop.

(iii) General atitude of labour towards work and lack of adequate technological discipline.

(iv) Time lag between the commissioning of the steel Melting Shop and commissioning of the Mills due to the phased construction of these units.

(v) Dovetailing of Expansion alongwith commissioning of million tonne units which created several complicated problems.

TISCO's expansion to 2 million tonnes undertaken at the end of the First Plan was completed in 1959. TISCO reached capacity once only after eight years in 1967. Since then it has been consistently less.

4.56. In the case of the Mining & Allied Machinery Corporation Ltd. a gestation period of 3 years was suggested in the Long Term Planning Programme prepared by Mr. P. Vashiliev of USSR. According to this programme, MAMCO was to have produced 17,600 tonnes in 1967-68 and reach the break-even point. The Corporation has indicated that according to the present assessment, they would be able to produce 18,000 tonnes only by 1973-74 and break even. The reasons for longer gestation period are stated to be (a) the production profile was based on batch manufacture of a few standard types of equipment but as there was sluggish demand for coal mining equipment envisaged in the Long Term Perspective Programme, some tailor made items had to be taken up for manufacture as a measure of diversification, (b) lack of adequate skill amongst the local people (c) lack of designs for tailor made items, etc.

4.57. In the Protocol of Discussions signed with the Collaborators, it was indicated that it would take about 2 to 3 years to master the technology and achieve the production norms. But the actual period has been more than that norm because of the "relatively lower skill content of the workforce available to the Company during the initial period of its operation and other logistic difficulties in regard to the procurement of right quality of raw materials and services especially the power."

4.58. The Committee enquired whether it was not desirable to give an indication of the likely gestation period in each case in the Detailed Project Report itself. In the replies furnished after the evidence, the Fertilizer Corporation of India, Indian Drugs and Pharmaceuticals Ltd. Hindustan Shipyard Ltd. Hindustan Steel Ltd., and Hindustan Photo Films Mfg Co. agreed that gestation period should be stipulated in the D.P.R. to serve as a guideline. While IDPL and Hindustan Shipyard expressed the view that such a stipulation in the D.P.R. could provide a yardstick for measuring the performance and profitability of a unit, Hindustan Steel Ltd. have stated that the gestation period should be indicated in the DPRs "to serve mainly as a guideline." They do not agree that the gestation period indicated in the DPR should be used as a yardstick for judging the performance of an enterprise because "There is bound to be a deviation between the Designers expectations and actual realisation in terms of commissioning of units as well as in the rate of development of production due to various local factors including availability of know-how, labour problems, etc."

4.59. The Committee recommend that Detailed Project Reports should invariably contain an indication about the likely gestation period of the Project not only to serve as a guideline but also to provide a yardstick for measuring the performance or profitability of a project. The Committee recognise that there are possibilities of deviation between the Designers expctations and actual realisation in terms of commissioning of units as well as in the rate of development of production due to various local factors and peculiarities

special to different undertakings. The Committee, therefore, feel that it is for these reasons that it is all the more necessary that such a specific provision is made in the DPR so that management can determine the extent of deviation from the normal gestation period stipulated in the DPR, analyse the reasons for deviation and initiate on-course corrections to see that projects are completed, commissioned and developed for production according to schedule. Needless to stress that such delays prove costly to the Exchequer and put the clock of the progress back. To give an example, delays in the construction and commissioning of fertilizer plants under execution by the Fertilizer Corporation of India have already cost the country Rs. 122.09 crores by way of loss in production and increase in departmental charges etc.

CHAPTER V

Sales Achievements

A. Sale and Marketing

The sales turnover achieved by Public Sector Undertakings in each of the last 5 years was as under:—

Year	Manufacturing concerns		Non-Manufacturing concerns	
	No.	Sales Turnover (Rs. crores)	No.	Sales turnover (Gross) and other income (Rs. crores)
1	2	3	4	5
1967-68	38	1059·65	27	794·02
1968-69	43	1344·78	28	1098·39
1969-70	49	1626·20	29	1383·66
1970·71	54	1854·79	30	1454·28
1971-72	56	2162·67	37	1811·95

5.2. Sales turnover (gross) as percentage of capital employed has shown an increase in 1971-72 in the case of 42 out of 54 manufacturing undertakings as compared to 1970-71. As far as non-manufacturing enterprises are concerned, there has been improvement in the sales turnover in 26 out of 30 undertakings (Appendix III).

During 1971-72, in the manufacturing sector, the sales turnover was more than 100 per csent of the capital employed in 15 out of 56 undertakings and more than 50 per cent of the capital employed in the case of 17 undertakings.

5.3 The Committee note that the sales turnover of manufacturing concerns in the public sector has increased from Rs. 1059.65 crores in 1967-68 to Rs. 2162.67 crores in 1971-72, an increase of 104 per cent in the period of 5 years. The gross sales turnover and other income of the Non-manufacturing concerns in the public sector has gone up from Rs. 794 crores in 1967-68 to 1811.95 crores in 1971-72, an increase of 128 per cent in a period of 5 years. Sales turnover (gross) in 1971-72 as percentage of capital employed increased in the case of as many as 42 out of 54 industrial and manufacturing enterprises and 26 out of 30 non-manufacturing enterprises as compared to the previous year and in 14 industrial and manufacturing enterprises exceeded 100 per cent. The Committee hope that manufacturing enterprises would gear up their sales organisations to achieve better sales performance in the years to come.

B. Centralisation of Sales and Marketing

5.4 Under the existing arrangements, sale of steel is handled by a centralised agency called the Central Sales Office, Calcutta. Sales of petroleum products of five refineries in the public sector are handled by the Marketing Division of the Indian Oil Corporation.

5.5 The Committee enquired whether it would not be desirable to establish a centralised sales and marketing organisation for other products e.g. drugs, fertilizer etc., which are manufactured by more than one enterprises in the public sector instead of each enterprise setting up a sales organisation of its own. In reply, the Indian Drugs and Pharmaceuticals Ltd. expressed the following view:—

> "It will be a good idea and, in fact, IDPL would welcome the idea of marketing the products of the sister public sector concern, viz. Hindustan Antibiotics Ltd. as well. As the IDPL has now already established a fine network of field force, distribution Channels etc. the products of the other public sector like Hindustan Antibiotics Ltd. could also be handled through the same organisation."

5.6. The Fertilizer Corporation of India have, *inter alia* replied that:—

> "In our opinion the Sales and Distribution of Fertilizers cannot be equated with that of drugs, steel or oil. The re-

quirement of the fertilizers differ from crop to crop, and season to season and soil to soil. Therefore, sales was to be backed up by intensive service to the farmer in the shape of advice on the adequate usage and the time of application. Unlike drugs, steel and oil the important link in the distribution of fertilizers is the farmer who was to be convinced and educated in the proper use of the fertilizer he purchases."

5.7 The Committee find that the Indian Drugs & Pharmaceuticals Ltd. and Hindustan Antibiotics Ltd. have each set up a sales and marketing organisation even for sale of common products like antibiotics. Similarly, the Fertilizer and Chemicals Travancore Ltd. and the Fertilizer Corporation of India have marketing organisations of their own even though both the companies are in the public sector and are engaged in production of fertilizers. The Committee recommend that Government should see if it would be possible to evolve a centralised sales and marketing set up for each type of industries and if that is not possible at least for specified products which are manufactured by more than one public undertakings. In the opinion of the Committee, a centralised organisation apart from being economical would lead to greater coordination, evolution of effective sales strategies and development of expertise in the field of sales and management.

C. Sales and Marketing Machinery

5.8 Marketing embraces all the business activities involved in the flow of goods and services from the producers to the consumers.

5.9 The problems of marketing management are more acute in operating in a competitive economy than in undertakings set up with social objectives and in undertakings operating under monopoly conditions or near monopoly conditions.

5.10 The machinery for sales or distribution of products manufactured by public undertakings is generally one of the following three types:—

1. Direct sale to customers.
2. Through the sales organisation of the undertaking.
3. Through private channels.

5.11 The following are some of the undertakings which make direct sale to customers and have not, therefore, established any separate set up or elaborate network for distribution of their products:—

1. Hyderabad Plant of Bharat Heavy Electricals Ltd.
2. Bharat Opthalmic Glass Co.
3. Hindustan Shipyard Ltd.
4. Hindustan Cables Ltd.
5. Hindustan Telephinters Ltd.
6. Hindustan Zinc Ltd.
7. Indian Telephone Industries Ltd.
8. Lubrizol India Ltd.
9. Modern Bakeries Ltd.
10. National Coal Development Corporation Ltd. (87 per cent sales are direct).
11. Triveni Structurals Ltd.

5.12. The distribution of Cement products by the Cement Corporation of India is arranged through regional distributors who in turn appoint stockists for arranging sales of cement at control rates to the small consumers in their respective areas. The Corporation has stated that no complaint has been received about the mal-functioning of this arrangement.

5.13 The products of Heavy Electricals (I) Ltd., Bhopal are made to specific customer's orders. The sales activity under each Divisional Manager is headed by a sales manager who is assisted by a team of Commercial Engineers. There are no accredited sales agencies on a regional or a product basis. However, against specific tenders, a small discount is sometimes offered to dealers. The products of High Pressure Boiler Plant, Tiruchy are tailor-made and involve detailed engineering work for each project. Execution of a project takes on an average 20 to 40 months. There is no question of having any distribution centre for it.

5.14. The question of appointing a distribution agency for products like Valves manufactured at Tiruchy, Switchgears manufactured at Hyderabad and standard motors manufactured at Hardwar, is stated to be under consideration.

5.15. The Heavy Engineering Corporation Ltd. manufactures items for which no distribution machinery is necessary. The Mining and Allied Machinery Corporation Ltd. has so far appointed one Sole Agent for sale of Hydraulic Props.

5.16. Hindustan Photo Films Mfg. Co. have their sole All India Distributor for cine-film positive and in respect of Medical X-Ray film they have three zones and distributors are appointed for each zone. In respect of photographic papers, they have appointed distributors—in the region of Tamil Nadu, and Pondicherry, Mysore and Kerala, Andhra Pradesh and Orissa, Madhya Pradesh, West Bengal, Assam, Manipur, Tripura, Megalaya and Nagaland State and Delhi. The Distribution is being handled by the Company's Marketing Division in the rest of the country.

5.17. The Indian Drugs & Pharmaceuticals Ltd. have divided the whole territory into four divisions with Headquarters at Delhi, Calcutta, Bombay and Madras. Each Division is headed by Divisional Sales Manager. There are 4 Regional Offices at Chandigarh, Lucknow, Bangalore and Ahmedabad each headed by Regional Sales Manager. The imported bulk is kept at Bombay Dept. Surgical Instruments manufactured by IDPL are directly exported from the plant to Russia. Some distributors have been appointed to supply these instruments in the indigenous market.

5.18. Petroleum products of the five refineries in the public sector are marketed by the Indian Oil Corporation. Normally, all bulk-customers, Government and private, are catered to by the Corporation directly. Sales of automotive fuels *viz.* Gasoline and High Speed Diesel Oil are, however, made to the motoring public through retail pump Outlets which are operated by dealers appointed by the Corporation. The Corporation have (i) Dealer owned and operated and (ii) Corporation owned and dealer operated retail outlets. In the former case, investments on land and improvements are made by the dealers. In the latter case, the Corporation builds the station and charges the dealer a monthly license fee. As on 31st March 1972, the Corporation had 25 main Installations, 116 Depots, 69 Aviation Fuelling stations, 109 consumer Depots. 3154 Retail Outlets and 2161 consumer outlets. IOC also had 2031 kerosene/LDO dealers as on 30th June, 1972. The Corporation has admitted that there had been "some stray cases of complaints from customers in regard to adulteration of products by dealers." In all such cases, investigation was, it has been stated, carried out and if the allegations were proved, punitive action was taken in terms of the Dealership/Distributionship Agreement including termination of Dealership.

5.19. The Central Sales Organisation of Hindustan Steel Ltd. is located at Calcutta. It is responsible for the sales and the after sales service of all the products manufactured at Bhilai, Rourkela, Durgapur and Alloy Steel Plants. The Central Sales Organisation is broadly divided into two wings. One looks after the Home Market and the other handles overseas marketing with the canalised imports of steel and steel Bank added to it. Customers can buy steel from Hindustan Steel Ltd. either directly from plants in wagon loads or in smaller quantities from the stockyards. There are at present 19 stockyards. All States in India except Haryana, Himachal Pradesh, Nagaland, Meghalaya and the Union Territories other than Delhi have at least one stockyard each. Hindustan Steel Ltd. propose to open a sub-depot at Mandi-Govindgarh (Punjab). Requests have been received for opening stockyards in Haryana and one additional stock yards in Gujarat, Maharashtra, Andhra Pradesh and Orissa. It has been stated that if more stock yards are opened it will only result in incurring more expenses both by way of establishment, Maintenance, Transport etc. without corresponding benefit to the Company because the quantum of steel available to each stockyard will be substantially less than what it is at present.

5.20. Iron and steel materials sold through stockyards to the small consumers are distributed strictly in accordance with the procedure laid down by the Joint Plant Committee since November-1970. House builders are required to produce certificates issued by Chartered Engineers regarding steel requirements of each item for the building to be constructed along with the copy of the plan duly approved by the municipal authorities for construction of the building.

5.21. The Committee enquired as to how it was ensured that scarce product like steel was available to the consumer at fixed price and without undue delay and did not find its way into the black market.

In reply, Hindustan Steel Ltd. stated:—

> "Steel producers are obliged to sell the steel at the controlled prices according to the allocations given by the Iron and Steel Controller and according to laid down procedure for sale from the stockyards but have no legal responsibility about steel finding its way into black market. Iron & Steel Controller, under the Iron & Steel Control Act, excercises this function for which he has set up necessary organisation including six regional offices set up under him."

5.22. During evidence of Ministries, the Secretary, Ministry of Steel and Mines said:—

> "There is no getting away from the fact that there is shortage of steel and there are procedures which have been evolved to see that steel goes only to genuinely accepted consumers. Nevertheless, to some extent, there are difficulties *i.e.* in effective implementation and I think that it will be certainly our endeavour to see to what extent we can minimise it. To expect a total elimination of shortage, I do not think, is a feasibility. What is certainly feasible is to try and minimise difficulties and hardship, as much as possible and that will be a job with which the Steel authority will be much concerned and the Secretary, Steel Ministry will also be looking into it in his capacity as the Chairman of the Steel Priority Committee."

5.23. As far as the fertilizers manufactured by the public Sector are concerned, the Fertilizers and Chemicals Travancore Ltd. (FACT) have initiated that they are operating a multi-channel distribution system throughout their marketing area. Services of various agencies, involving in the fertilizer trade like cooperative societies, private traders, Agro-Industries Corporation, firms engaged in fertilizers blending business, bulk consumer like plantations, Sugar fatcories etc. are utilised for distribution of their products. Presently, the total number of FACT dealer selling points in South India number around 5,800. The dealership structure for fertilizers produced by the Fertilizer Corporation of India Ltd. is as under:—

Zone	Cooperatives Institutional buyers	Private Dealers	Total
Eastern	19	998	1,017
Northern	8	335	343
Trombay	198	493	691
	225	1,826	2,051

5.24. During 1971-72, 33 per cent of the total sales of Fertilizer Corporation of India's products was through cooperative|Institutional buyers and 67 per cent through small traders. The Corporation have stated that they do not encourage either the idea of sole distributorships or that of monopolistic tendencies, by giving agencies to large distribution agency.

5.25. In a note, the Fertilizer Corporation of India stated that quality and price of Fertilizers was controlled by Government by a statutory order known as the Fertilizer Control Order. Under this order, the State Governments were responsible to ensure that the ceiling retail price and other aspects of Fertilizer Control Order were followed by the dealers. The Corporation had agreed that if a State Government reported or suspected that a particular dealer was indulging in unhealthy parctices, the Corporation "would unhesitatingly, cancel the dealership."

5.26. During evidence of Ministries, the Secretary, Ministry of Agriculture stated that distribution, quality and price of nitrogenous fertilizers was controlled by an Order. An informal control was exercised by Government through the Fertilizer Association of India as far as phosphatic fertilizers were concerned. Only a small quantity of NPK fertilizers were produced and hence there was no control on that. The witness stated that the control of fertilizer was based on delivery cost and therefore the price was the same all over the country. Asked whether it was possible. that persons may buy their fertilisers and sell it to others at a higher cost, the witness said:—

> "the possibility cannot be ruled out but we have been asking the State Governments to supervise the implementation of this order vigorously. Apart from the supervision over dealers the only other way is to flood the market with sufficient fertilizer....What is perhaps happening is that every cultivator whether he has dry cultivation or wet cultivation, is claiming his portion either from the cooperative Society or from the dealer that may be there and that is perhaps not going into his field. Perhaps this quantity either remains with the dealer and goes into the black market or the cultivator himself black markets it."

The witness added, "the dealers are ultimately administratively controlled by the Manufacturers for their dealership, but for the enforcement of the Act, the State Government controls them."

5.27. Some of the Public Undertakings, as for example, Bharat Heavy Electricals Ltd., Electronics Corporation of India, Hindustan Machine Tools Ltd., National Instruments Ltd., Triveni Structurals Ltd. and Tungabhadra Steel Ltd. give one year guarantee to their customers. Most of the public undertakings provide "After-Sales Service" to their customers except those undertakings which deal with industrial raw materials or which deal with Government departments which have their own maintenance staff, as in the case of the Indian Telephone Industries, or are engaged in mining operations like National Coal Development Corporation Ltd., Hindustan Zinc Ltd. etc.

5.28. Asked what role the Bureau of Public Enterprises could play in co-ordinating the sale of products of public undertakings so that Government institutions like State Electricity Boards, Railways, etc. purchased their requirements directly from undertakings rather than through private contractors, it was stated that the BPE had issued the following guidelines in 1971:—

> "Ministries|Government Departments and public sector enterprises should invariably purchase their requirement from public sector undertakings to the maximum possible extent. Quality requirements and reasonable delivery schedules should of course, be enforced, subject to negotiation for agreement on price. Price preference not exceeding 10 per cent will be admissible to public sector undertakings. Where a public sector undertaking requires price preference of more than 10 per cent, the purchasing Ministry/Department or public sector enterprise should endeavour to reach an agreement by negotiation, where such a negotiation is not possible within a reasonable time, the cases have to be submitted to the Cabinet Committee for economic co-ordination. Price preference even upto 10 per cent cannot be permanent or taken for granted. Every effort should be made to bring down costs and achieve competitiveness" (*vide* BPE's Memo. dated 19-6-1971).

5.29. When pointed out that the Ministry of Information and Broadcasting were purchasing photographic paper from Agfa rather than from the Hindustan Photo Films Mfg. Co. and the medicines and drugs produced by I.D.P.L. were not being purchased by State Government hospitals, the Finance Secretary stated that the State Governments had been apprised of the above policy of Government and requested to follow it. They were however, conducting a study in the Bureau to find out the extent to which the guidelines had been followed.

5.30. In its Memorandum to the Committee Ispat Karamachari Sangh, Ranchi has stated that public undertakings do not have any agency to demonstrate regularly the salient features of their products, to the customers and that "after-sales-service" is most conspicous by its absence in the public sector enterprises. The Union has suggested that "a net work of sales and marketing representatives should be established to the country-side to enlighten and inform the public about the products manufactured by the public sector. There should be one centralised organisation in each sector of industry."

5.31. Fertilizer Corporation of India Employees, Hyderabad is of the view that public undertakings should "undertake a demand survey of its products and also organise and undertake to educate the consumers and establish a market for its products."

5.32. The Talcher Fertilizer Workers' Union has suggested that there should be a centralised organisation which should carry on research and periodical survey of market demands of the various products of Public Sector Undertakings and feed back data to the concerned industry.... A system of joint Sales Centres of public undertakings should be operated so as to cut down cost on establishment and promote sale of goods......"

5.33. The Committee are of the view that the marketing and sales organisations of Public Undertakings should be made more compact and better co-ordinated with a view to eliminating some of the difficulties faced by the consumers because of defects in distribution channels, for instance, in the case of steel and fertiliser. The Committee are also of the opinion that the marketing survey technique should be more and more utilised for assessing demands of various products and helping the Undertakings to plan their production. In the opinion of the Committee, Public Sector Enterprises need not imitate the sales promotion and marketing techniques of the private sector largely in advertising the products of the public sector but should give greater emphasis in bringing out the role of the Public Sector in national economy.

CHAPTER VI

EXPORT ACHIEVEMENTS

A. Products Exported by Public Sector

Public Sector enterprises in India now export a wide range of products. These include iron and steel products, telephone exchange equipment, teleprinters and accessories, Electronic Communication equipment and electronic components, electronic instruments, Aircraft components, tools, mineral ores, cadmium, washed coking coal, carbonite Briquettes, Ammonia Chloride, Sulphuric Acid, Surgical instruments, Antibiotics, petroleum products, naphtha and furnace oil, rare earths chloride and Trisodium Phosphates, farm products, fruit products, valves, Boilers, Switch gear spares, machine tools, wrist watches, Surveying and drawing instruments, cine positive (35 MM), footwear, leather goods, lathe machines, Frame and covers, substation equipment.

B. Exports by Manufacturing Concerns

6.2. Exports by the manufacturing concerns in the public sector during the last 5 years (1967-68 to 1971-72) were as under (Appendix IV):—

Year	No. of enterprises which exported	Value of exports (Rs. Crores)	Percentage increase/decrease over the previous year
1967-68	8	50·23	—
1968-69	17	69·35	(+)38%
1969-70	23	89·76	(+)20%
1970-71	24	96·34	(+)7%
1971-72	24	65·776	(—)31%

6.3. During evidence of Public undertakings, the representative of the Fertilizer Corporation of India stated that as India was importing fertilizers herself there was no question of India exporting fertilizers to other countries in a big way. The Corporation was, however, exporting certain chemicals products on *ad hoc* basis to Kuwait, Iraq, Bulgaria, Malaysia, Nepal, etc.

6.4. The representative of the Heavy Engineering Corporation Ltd. stated that this year the Corporation had secured a small order of Rs. 33 lakhs from Czechoslovakia for export of castings similar to the ones which they made for the machine tools factory. The Committee were informed that they had spare capacity for rolls and forgings.

6.5. The representative of the Hindustan Shipyard Ltd. stated that though at present the Shipyard was not in a position to cope with the internal demand for ships, the shipyard wanted to export one or two ships to boost up the morale. Thailand and Indonesia had, it was stated, made enquiries for purchase of ships from India. He added that Poland and Yugoslavia had made rapid strides in ship building. These countries had entered the export market even at the cost of their internal requirements. It was stated that export of a ship or two by the Shipyard will have certain psychological advantages.

6.6. The representative of the Hindustan Steel Ltd. stated that during recession period HSL entered the export market and supplied pig iron and rails. Its exports had increased from Rs. 31 crores in 1967-68 to Rs. 53 crores in 1970-71 but from 1971-72, the exports of steel was restricted by Government and came down to Rs. 22 crores in 1971-72 and Rs. 15 crores in 1972-73. He added that there were, however, prospects of exporting flat products, galvanised sheets etc., after Bokaro goes into production.

6.7. The representative of the Indian Drugs and Pharmaceuticals Ltd. stated that during last year they had exported Rs. 6.5 lakhs of drugs. Export of surgical instruments had gone up from Rs. 29 lakhs in 1970-71 to Rs. 46 lakhs in 1971-72 and in 1972-73 they expected to export Rs. 52 lakhs of instruments. The witness pointed out that Pakistan had offered to supply surgical instruments to Russia at a cheaper price than India because there the manufacture of these instruments was in the small scale sector who was allowed 50 per cent subsidy. He said:—

> "If you want us to offer on competitive basis, we should also get 50 per cent subsidy."

6.8. Asked about steps taken by Government to increase exports of products of public undertakings, the special Secretary, Ministry of Industrial Development stated that "we have not yet thought of going in for enterprises which are manufacturing only for purposes of export, because our internal demands are so much....public sector is basically oriented to the strengthening of the infra-structure of the economy....the public sector going in a big way for purposes of export has not been our policy but I am quite confident that that stage will come....Now we are going in a big way into the tannery and footwear industry. When we develop the Tannery and Footwear Corporation a large portion of their production would be exported....when we enter the consumer industries we will so plan the production that there are enough for exports." He also indicated that the B.P.E. had not yet issued any guidelines for improving exports of public undertakings.

6.9. The Secretary, Ministry of Steel and Mines stated "Regarding iron ore and other products also, it is the Government's policy that we must study the overseas demand and try our best progressively to set up manufacturing units to cater to those demands."

6.10. The share of public sector in the import trade has progressively increased and now amounts to around 3|4th of the total imports but the share of the public sector in total exports is only 1|5th.

6.11. The Committee are happy to find that the number of manufacturing enterprises which export goods and their value of exports had been rising every year till 1970-71. In 1967-68, 8 manufacturing enterprises in the public sector exported products of the value of Rs. 50 crores. In 1968-69, 17 enterprises exported products of the value of Rs. 69.35 crores, an increase of 28 per cent. In 1969-70, the number of such manufacturing enterprises went upto 23 and the value of their exports totalled Rs. 89.76 crores. In the subsequent year i.e. 1970-71, 24 manufacturing enterprises exported products worth Rs. 96.34 crores. This rising trend, however, suffered a set back in 1971-72 when the value of exports was Rs. 65.76 crores only, the percentage decline on value of exports over 1970-71 being 31 per cent. The Committee, however, note that this decline was mainly due to restriction imposed by Government on export of steel because of shortage of steel in the domestic market.

Consequently, the value of exports of Hindustan Steel Ltd. had declined from Rs. 53 crores in 1970-71 to Rs. 15 crores in 1972-73. The Committee hope that before long the capacity of Bokaro Steel Plant will be expanded and it will be possible for India to resume export of steel in full measure.

6.12. The Committee find that while the share of the public sector in the import trade has gone up to 3/4th of total imports, its share in the export trade is only 1/5th of the total exports. This points to the need for redoubling the efforts to increase exports.

The Committee recommend that Public Undertakings especially those which have idle productive capacity should explore the possibility of taking up the manufacture of products which have export potential. Needless to say the Public Undertakings can increase their competitiveness in the field of export by reduction in cost and maintaining excellence in quality in consumer appeal of their products. The Committee suggest that there should be close coordination between the Ministry of Commerce which is responsible for foreign trade, the administrative ministries concerned and the project authorities so as to make full use of the potentialities of public undertakings to step up exports and earn valuable foreign exchange.

The Committee would also like Government to study closely the trends of demands in foreign markets so that where long-term opportunities exist, the manufacturing capacities could be developed in the public sector.

C. Foreign Exchange Earnings

6.13. Foreign exchange earned by exports canalised through the trading concerns in the public sector increased from Rs. 9,539 lakhs in 1967-68 to Rs. 19,136 lakhs in 1971-72, an increase of more than 100 per cent in a period of 5 years. Details are given below:—

(Rs. in lakhs)

	1967-68	1968-69	1970-71	1970-71	1971-72
1. Minerals & Metals Trading Corporation Ltd.	7,035 (includes the export of iron ore of NMDC)	8,016	9,094	10,519	8,676
2. State Trading Corporation of India Ltd.	2,360	4,850	5,510	7,058	7,861
3. Indian Motion Pictures Export Corporation Ltd.	20	32	32	47	53
4. Handicrafts and Handloom Export Corporation Ltd.	124	145	224	351	411
5. Project Equipment Corporation					1,427
6. Jute Corporation					337
7. Cotton Corporation	..				352
8. Cashew Corporation	..	..	..	..	19
	9,539	13,043	14,860	17,975	19,136

6.14. Public Undertakings had also been earning foreign exchange other than through exports by:—

(a) Ship repairs|Aircraft repairs;

(b) Passage, freight earnings of foreign voyages|travels;

(c) Sales on Duty Free shop and Expo Restaurant in foreign currency;

(d) Technology consultancy services; and

(e) Interest on Foreign Deposits.

6.15. Amount of foreign exchange earned other than through export made by public sector undertakings has increased from Rs. 65.07 crores in 1967-68 to Rs. 102.57 crores in 1971-72, an increase of 57 per cent in a period of 5 years. Year-wise details are given below:—

Year	Amount of Foreign Exchange earned (Rs. % crores)
1967-68	65·07
1968-69	72·36
1969-70	85·24
1970-71	92·73
1971-72	102·57

6.16. The Committee appreciate the attempts being made by public sector enterprises for earning foreign exchange by exports and other ways. They find that foreign exchange earnings by exports made by public sector enterprises have increased from Rs. 95.39 crores in 1967-68 to Rs. 191.136 crores in 1971-72, an increase of 100 per cent in a period of 5 years. During the same period foreign exchange earning other than through exports increased from Rs. 65.07 crores in 1967-68 to Rs. 102.57 crores in 1971-72, an increase of 57 per cent. The Committee hope that the tempo of foreign exchange earnings can be accelerated in the years to come with better production performance, rationalisation of prices competitive to similar products from other countries, improvement in quality and wider range

of product-mix to compete in the international market and undertaking export promotion drives.

D. Import Substitution

6.17. The policy of the Government to restrict to the minimum the import of commodities and instead utilise indigenously manufactured products by private and public sector has resulted in import substitution and consequently saving in foreign exchange. An analysis of replies received from various public undertakings has revealed that some of the public undertakings have achieved significant success in their efforts towards import substitution. For example, High Pressure Boiler Plant, Tiruchy has established Indian Steel Material IS 2062 as suitable for high pressure and high pressure work relating to Boilers. This achievement has meant saving of Rs. one crore in the annual import Bill. Heavy Power Equipment Plant has been able to effect foreign exchange saving of Rs. 2.5 lakhs per year by import substitution of foreign electrodes. In Switchgear operations, import content has been reduced from Rs. 133 lakhs in 1967-68 to Rs. 42.90 lakhs only 1971-72 resulting in the increase in foreign exchange saving from Rs. 40.97 lakhs in 1967-68 to Rs. 284.10 lakhs in 1971-72. Till March, 1972, Heavy Electricals (India) Ltd. delivered heavy electricals equipment worth Rs. 169 crores on the basis of the gross output and foreign exchange expenditure for product. This is stated to have resulted in a saving of approximately Rs. 130 crores of foreign exchange.

6.18. The Hindustan Antibiotics Ltd. have replaced completely or partially such expensive and bulky imports raw materials like lactose, Cornsteep concentrated corn oil, lard oil, calcium carbonate with indigenous substitutes like sugar, peanut meal, groundnut oil, etc. The annual foreign exchange involved is about a crore of rupees on these raw materials. Indian Drugs and Pharmaceuticals Ltd. efforts have resulted in annual foreign exchange saving of Rs. 157.49 lakhs.

6.19. The Heavy Engineering Corporation Ltd. have stated that the Corporation had supplied a total of Rs. 95 crores (approx.) worth of equipment, machines and components upto 31st December, 1972. It has been stated that "the saving in foreign exchange may be reckoned at approximately Rs. 65 to 70 crores." The Corporation have, however, admitted that "it is necessary to balance this saving against the delay in the completion of Bokaro Steel Plant because of supplies from HEC as this delay has made it necessary for the country to spend foreign exchange to import steel which might otherwise have come from Bokaro.

6.20. The Mining and Allied Machinery Corporation Ltd. have stated that development of products like Battery Locomotives, haulage, Wireless, Sand pumps etc. had enabled them to save foreign exchange to the tune of Rs. 4 crores during the last 5 years.

6.21. Hindustan Photo Films Mfg. Co. have achieved import substitution in respect of 23 materials used in their operations resulting in a total foreign exchange saving of Rs. 9.08 crores.

6.22. Hindustan Shipyard Ltd. have stated that their achievements in import substitution have resulted in a total foreign exchange saving of Rs. 4.39 crores during the period 1-4-1967 to 15-7-1972.

6.23. Since inception the Hindustan Steel Ltd. has produced about 11.5 million tonnes of pig iron for sale and 26 million tonnes of salable steel valued at over Rs. 27,000 million. But for this production, the country would have to go in for imports of steel. After deducting the value of exports to India, the value of imported materials consumed in production and also the payments of excise duty, freight etc., this production had saved the country as much as Rs. 16,380 million worth of imports by March, 1971.

6.24. It would be evident that efforts being made by leading public undertakings like the Bharat Heavy Electricals Ltd., Heavy Electricals (India) Ltd., Hindustan Antibiotics Ltd., Heavy Engineering Corporation Ltd., Hindustan Shipyard Ltd., Hindustan Steel Ltd., etc. have resulted in considerable foreign exchange savings. The Committee note that these savings have been achieved mainly by taking up in the country itself, the production of products, materials, machinery equipment and components, etc., which were being imported or by locating indigenous items for the imported ones. The Committee recommend that each Public Undertaking should set up an import substitution cell to give a clear direction to such efforts and to keep a watchful eye on the progress in import contents of products manufactured in the public sector. The Committee at the same time would like to stress that in the process of import substitution, the need for excellence in the quality of products should not be sacrified.

CHAPTER VII

ACHIEVEMENTS OF NON-MANUFACTURING PUBLIC UNDERTAKINGS

A. Transport

Air India's Revenue Tonnes Kilometres have increased from 198.977 millions in 1967-68 to 316.861 millions in 1971-72 an increase of 59.5 per cent. Indian Airlines has also improved its performance from 135.550 Millions RTKms in 1967-68 to 161.464 Millions RTKms in 1970-71. Year-wise achievement is given below:—

		1967-68	1968-69	1969-70	1970-71	1971-72
Air India	Revenue tonne Kilometres performed (Millions)	198·977	225·278	256·572	275·165	316·861
Indian Airlines	„	135·550	153·366	172·055	161·464	

7.2. The Shipping Corporation of India has achieved manifold expansion of its fleet and services. From 52 vessels of 4.52 lakh GRT (6.48 DWT) operating only 11 services in 1967-68, its fleet has increased to 95 vessels of 11.95 lakhs GRT (18.67 lakh DWT) operating 22 services on 1st March, 1973. The fleet in terms of GRT has expanded by 95.8 per cent. The fleet of Mogul Lines Ltd. comprises six ships as on 31st December, 1971.

7.3. Central Inland Water Transport Corporation Ltd. apart from managing Rajabagan Dockyard and Kulpi Workshop operates (1) Calcutta Lighterage Warehousing and Ferry Service and (2) Assam Internal River Service. The total turnover and the value have increased from Rs. 98.22 lakhs and Rs. 93.62 lakhs respectively in 1967-68 to Rs. 341.89 lakhs and Rs. 344.16 respectively in 1971-72 (provisional). Year-wise increase has been as under :—

Year	Total Turnover	Total production
	(Rs. lakhs)	(Rs. lakhs)
1967-68 .	98·22	93·62
1968-69 .	137·63	164·82
1969-70 .	145·01	198·57
1970-71 .	205·70	272·95
1971-72 . (provisional)	241·89	344·16

7.4. Kilometres done and Tonnage carried by the Central Road Transport Corporation Ltd., in the year 1969-70 had been the maximum during the period 1967-68 to 1971-72 but the volume of its services in the subsequent years has come down considerably. Details are given below:—

Year	Kilometres Done (lakhs)			Eastern Region	Western Region	Total carried (Lakhs)	Tonnage
	Eastern Region	Western Region	Total				
1967-68	60·31	23·20	83·51	N.A.	N.A.	N.A.	
1968-69	57·58	7·44	65·02	2·42	8·18	10·60	
1969-70	103·33	8·63	111·96	4·37	9·69	14·06	
1970-71	95·81	10·77	106·58	3·80	8·23	12·03	
1971-72 (provisional)	61·45	10·07	71·52	2·06	7·15	9·21	

7.5. The Committee consider that Air India and Shipping Corporation have performed a great national service by extending their operations to important international routes. The Committee would like Air India to keep up its high tradition as a world carrier and also take effective measures to see that it not only retains, but wins increasing percentage of tourist traffic particularly to this country.

The Committee have examined in depth the working of the Indian Airlines and given concrete recommendations for the Corporation to expand its services and gear up to meet the challenging task of air travel in the coming five to ten years.

In regard to the Central Road Transport Corporation, the Committee invite attention to their recommendation in para 7.6 of their Sixty-Second Report (Fourth Lok Sabha) wherein it was stated that as the Ministry had failed to put the Central Road Transport Corporation on a commercially sound footing during the course of last six years and as the Corporation had practically consumed the entire investment, it should be wound up, as early as possible. The Committee recommend that Government should take an early decision in this matter.

B. Trading

7.6. The purchases made by the Food Corporation of India have registered 68 per cent increase in 5 years in terms of quantity and 93 per cent in terms of value in a period of 5 years. Sales by the Corporation have increased by 77 per cent in terms of quantity and 105 per cent in terms of value in that period. Yearwise volume of activities of the Corporation in terms of purchases, sales and stocks are given below:—

Year	Purchase		Sales		Stocks	
	Qty. (lakh tonnes)	Value (Rs. crores)	Qty. (lakh tonnes)	Value (Rs. crores)	Qty.(lakh tonnes)	Value (Rs. crores)
1967-68	58·75	439·80	49·08	384·62	15·64	128·60
1968-69	84·26	714·69	65·98	567·20	32·56	286·32
1969-70	94·44	725·57	88·10	759·72	37·31	309·23
1970-71	88·03	737·46	74·34	675·59	49·68	446·32
1971-72 (Provisional)	98·72	851·14	87·04	790·47	59·36	551·01

The total turnover of the Corporation has thus increased from Rs. 824.42 crores in 1967-68 to 1641.61 crores in 1971-72. From the point of view of turnover, this Corporation has emerged as the biggest trading enterprise in the public sector.

7.7. In their Twelfth Report (Fifth Lok Sabha) on Food Corporation Ltd. the Committee on Public Undertakings (1971-72) had found that FCI's direct procurement of foodgrains from farmers was so low that it ranged between 0.1 to 3.4 per cent of the total procurement during last three years. The Committee had also pointed out that total incidental charges on wheat were as high as 25 per cent of the procurement price with the result that Government had to pay to the Corporation a subsidy of Rs. 67.98 crores between 1st April, 1965 to May, 1971.

7.8. The Committee find that the Food Corporation of India has emerged as the biggest trading enterprise in the public sector. Its turn over was Rs. 1641.61 crores in 1971-72.

The Committee would like the Food Corporation to take concerted measures to reduce its handling charges so that the benefit of State procurement can be passed on to the consumer without involving an unduly high subsidy from the State Exchequer to cover administrative and handling charges, storage and transit etc.

7.9. The State Trading Corporation of India Ltd. had achieved 86 per cent increase in its turnover in a period of 5 years. Details are given below:—

Year	Exports (Rs.crores)	Imports (including domestic sales)	Total sales (Rs. crores)
1967-68	23·57	117·63	141·20
1968-69	48·46	118·74	167·20
1969-70	55·15	155·57	210·72
1970-71	70·58	145·26	217·84
1971-72	78·61	184·01	262·62

7.10. STC, an important public enterprise for achievement of Government's objective of increasing State's participation in imports and exports, is playing a catalytic lead in the field of exports. Though its exports have trebled since 1967-68 but its exports accounted for only 4.9 per cent of country's total exports of Rs. 1567 crores in 1971-72.

7.11. The Committee were informed that the STC had been a pace-setter in the field of export trade. It has explored new markets and diversified export of both equipment and services and introduced certain internal facilities for establishing an export base in the country. They had surveyed the potential in Latin America, Africa and Far East countries and broken new grounds. As regards commodities, it had entered in a big way in non-traditional items and 60 per cent of exports were of these items. They had also helped the small scale sector by way of inspection, financing, know-how, etc.

7.12. The Committee, however, took opportunity to discuss the following features discernible in the working of the State Trading Corporation:—

(i) Export of products of small scale industries through S.T.C. was small.

It was represented to the Committee that though 60 per cent of production of small-scale industries was of engineering goods, STC's export of such goods in 1970-71 was about 5.6 per cent of total small scale industries export.

(ii) Role in export and import trade is limited.

Trade in major exportable items like jute, import of photo-cameras, dry-fruits etc. was still in the hands of big business houses and STC's role had been limited.

(iii) Excessive administrative Expenditure.

(iv) High margin of profit both in imports & exports.

(v) India's exports to traditional markets in countries like Middle East were declining and China was stealing a march.

7.13. The representative of the Corporation stated in evidence that they were paying special attention to small scale sector in various ways including distribution of goods to them through NSIC so as to take advantage of "high-sea sales."

Regarding expansion of exports, it was stated that Governments policy was to canalise as many items as feasible. As regards imports, it was stated that as against five items canalised five years ago, there were now 105 canalised items. As far export of jute, it was stated that a separate Jute Corporation was being set up by Government. It was also stated that there were no constraints for expansion of their business.

7.14. The ratio of administrative expenditure to turnover had come down from 3.1 to 1.9 per cent. As regards profit margin it was stated that their pricing policy was determined by an inter-ministerial Committee and that the margin on import sales was proposed to be reduced from 1.5 to 1 per cent in respect of REP import licenses.

7.15. The Chairman of the State Trading Corporation did not agree with the impression that they were loosing markets in Middle East countries. He, however, felt that there was great scope for India setting up turn-key projects, like textile mills, cement plants, foundries etc. in these developing countries which would put the country's foreign trade on firm footing. This could be done by setting up a consortium with STC's role as a co-ordinator in commercial matters. He also indicated that they had already supplied textile mills to UAR, a steel foundry plant to Ceylon, etc.

7.16. The Secretary, Ministry of Foreign Trade stated that "Government is committed to expand the role of STC so far as export trade is concerned but we have to do it progressively."

He also said that there was no difficulty of orders for Indian goods or from quality point of view. The only thing to ensure was that when an order was given, it should be fulfilled. There was also inadequacy of shipping facility which needed to be overcome. The Secretary, Ministry of Transport and Shipping said that they were not aware of any Shipping difficulty for export but he would be discussing the matter so as to settle it.

7.17. The Committee find that though 60 per cent of production of Small Scale Industries was of Engineering goods, STC's export was only about 6 per cent of total small scale industries export. There is also an impression of high margin of profit being charged by the Corporation in its import and export trade. While the Committee are glad at the dominant role which State Trading Corporation has come to assume for canalization of export and import trade, they feel that the Corporation should win the confidence of the users in the country by offering goods and equipment at reasonable rates without any undue margin of profits. It should also strive to keep up and enhance the confidence of the importing countries by adhering to the time schedule for delivery, guaranteed quality and charging competitive prices.

7.18. The Handicrafts and Handlooms exports Corporation of India Ltd., a subsidiary of STC, was formed in October, 1962. The rate of growth of Corporation's export sales over the last 5 years has been as under:—

Year	Export Sales
	(Rs. lakhs)
1967-68	124·03
1968-69	144·89
1969-70	223·53
1970-71	297·22
1971-72	375·37

7.19. Minerals and Metals Trading Corporation has achieved 169 per cent increase in its turnover since 1967-68. Details are given below:—

Year	Exports (Rs. crores)	Imports (Rs. crores)	Domestic (Rs. crores)	Total (Rs. crores)
1967-68	70·6	28·8	0·4	99·8
1968-69	80·2	25·4	0·5	106·1
1969-70	90·9	45·5	1·2	137·6
1970-71	105·2	144·5	1·5	251·2
1971-72 (Provisional)	86·8	180·1	1·2	268·1

7.20. Projects and Equipment Corporation of India, was formed in April, 1971 as a subsidiary of the STC to boost exports of Railway and Engineering Equipment. Its turnover was Rs. 38.19 crores in 1971-72 as against STC's turnover of these equipment of Rs. 30.13 crores in 1970-71. The target for 1972-73 has been placed at Rs. 58.00 crores.

7.21. The Committee feel that with the growth of affluence in the developed countries, a distinct preference is growing for all goods which have the artistry and merit of handicrafts and handlooms. Since our country has a great tradition and experience of turning out exquisite handlooms and handicrafts, the Committee feel that this potentiality should be put to effective use by properly encouraging the production of handicrafts and handlooms goods to earn valuable foreign exchange.

7.22. The Committee find that while the imports through Minerals and Metals Trading Corporation have been increasing, the exports registered a fall in 1971-72 as compared to the preceding year. The Committee recommend that Minerals and Metals Trading Corporation should redouble its efforts to step up its exports, particularly of iron ore and manganese ore, etc.

7.23. The Committee feel that with the expansion of capacity for turning out engineering goods in the country, the potentiality for exports would keep on rapidly increasing. In order to earn valuable foreign exchange as also provide experience of international markets and economies of large scale production, the Projects and Equipment Corporation of India should leave no stone unturned to step up the exports by a systematic and intelligent study of World's re-

quirements and potential demand for goods. The Committee also feel that now that India has developed capacity for setting up turnkey projects, particularly in textile mills, cement plants, Government may consider forming a consortium to avail of the promising opportunity available in the Middle East and other developing countries for setting up such plants.

C. Financial & Credit Enterprises

7.24. The Export Credit and Guarantee Corporation issues insurance policies to Indian exporters to protect them against losses that they might suffer. It also furnishes guarantees to Banks in India to enable the exporters to obtain on a liberal basis credit facilities both at the pre-shipment and post-shipment level. The number of policies in force has risen from 1841 at the end of 1967 to 3893 at the end of 1971 thus registering an increase of 111 per cent in 5 years. The number of guarantees in force has also risen from 432 at the end of 1967 to 1404 at the end of 1971, an increase of 225 per cent. Year-wise details are given below:—

Year	No. of Policies	No. of Guarantees	Value of	Premium Income	Gross claims paid
			(Rs. in crores)		(Rs. in lakhs)
1967	1841	432	53·78	25.19	3.93
1968	2277	823	71·46	47.19	7.31
1969	2834	1326	100·78	70.47	9.47
1970 . .	3361	1578	110·28	95·97	10·97
1971 .	3893	1404	138·16	148·32	103·12

7.25. Hindustan Housing & Urban Development Corporation has been in operation for about one year and during this period it sanctioned loans amounting to Rs. 37.59 crores covering 20 schemes in the cities of Bombay, Madras, Delhi, Ahmedabad, Trivandrum, Calicut etc. These loans are expected to generate an over all investment of Rs. 66.15 crores resulting into approximately 19,000 new plots of land of different sizes and 34,000 houses|apartments mainly for sale to the low and middle income groups.

Besides, the Corporation has decided to construct 240 flats at an estimated cost of Rs. 90 lakhs for sale on hire-purchase basis to the persons in the lower and middle income groups in Calcutta.

7.26. Rural Electrification Corporation has sanctioned as on 31st July, 1972, 264 schemes costing Rs. 17461.737 lakhs covering 24,942 villages. The loan sanctioned by the Corporation amounts to Rs. 15942.646 lakhs.

7.27. The Industrial Financial Corporation of India gave financial assistance to 70 Industrial units as against 48 Industrial Units in 1967-68, a rise of 45 per cent in a period of 5 years, as indicated below:—

Year	No. of Industrial Units financed	Financial Assistance		
		Nos.	Amount sanctioned (Gross) (Rs. lakhs)	Amount disbursed (Rs. lakhs)
1967-68	48	61	26·73	26·85
1968-69	79	91	30·66	17·03
1969-70	49	67	19·38	18·05
1970-71	61	97	35·32	17·35
1971-72	70	125	42·76	21·60
Cumulative as on 30-6-72	565	1271	397·86	[illegible]40·45

7.28. Life Insurance Corporation of India was established in 1956 as a statutory Corporation under the LIC Act, 1956 to carry on life insurance business. During evidence, Chairman, LIC informed the Committee that spectacular progress had been made by the LIC in realising their objectives of spreading the insurance and investing money in the interest of policy holders and larger interest of the country. He added that:—

> "in the very first year i.e. 1957, LIC did a business of Rs. 278 crores and in 1972, I am happy to report that we did a business of Rs. 1640 crores. In 1956 life fund was Rs. 340 crores, it is now over Rs. 2,000 crores........As against 50 lakh policy holders in 1956, we have today over 1 crore and 60 lakh policy holders."

7.29. Till 1959-60 investments were mostly in Government Securities, preference shares, debentures, property, and so on. From 1961, the Corporation started investing in socially oriented schemes. Their investment in socially oriented enterprises (i.e. State-Electricity Boards, Housing Board, Municipalities, Apex Co-op. Societies, etc.) has gone up from 3.99 per cent in 1961 to 29 per cent in 1972. An amount of Rs. 741 crores had been invested since inception, till 31st March, 1972 in these socially-oriented investments (Rs. 359.36 crores on Housing, Rs. 60.81 crores on Water Supply and Sewerage schemes, Rs. 311 crores on Electricity, Rs. 0.75 crores on City improvement and Rs. 8.80 crores in Industrial Estates and Cooperative Sugar Factories.

7.30. Asked about the percentage of LIC's investment in the private corporate sector, the Chairman, LIC stated "the total percentage in Private Corporate sector is 13.86, that is, Rs. 252 crores, as on 31st March, 1972. As on 31st December, 1957 it was 20 per cent. So it has come down from 20 to 13.86 per cent." When pointed out that in absolute term the investment in the private sector might have gone up, the following details of sector-wise investment were furnished:—

Sector	1957	1972
(i) Private Sector	69 Crores	252 crores
(ii) Co-op. Sector	4·38 crores	198 crores
(iii) Public Sector	256 crores	1374 crores

7.31. The Committee enquired what help did the LIC extend in Water Supply Schemes in the rural sector. In reply, the Chairman LIC stated:—

> "The first scheme in India for piped water supply we financed was in Ajmer (Rajasthan). In Kerala State we are financing piped water supply scheme in the rural areas and I think within next two or three years, the entire Kerala State will have piped water supply in the rural areas."

7.32. In a note furnished after the evidence, the LIC intimated that during the last three financial years a sum of Rs. 13.67 lakhs in respect of investments in debentures, preference shares and equity shares in the "Private Sector" during the last three years was written off.

7.33. Explaining the investment policy of the Corporation, the Chairman, LIC said that "we are investing more and more in what is known as socially-oriented investment like loans to the State Electricity Boards etc. so that people's money is utilised for people's purposes. We are underwriting the share capital of private sector companies also. That also has to be done because our investments must be diversified and also we are afraid that we may be, as a matter of fact, losers in a large way by way of depreciation unless the portfolios are diversified. Our present policy is to go in a very large way in socially oriented investments."

Asked how was it that the Corporation's nominees on Boards of big business houses, in which it had invested funds, were not taking sufficient interest, he said, that till quite some time ago they were not sending their representatives. Now they would be functioning in conjuction with other public sector financial institutions i.e. IFC, IDBI, etc. and would be sending a common representative. He also stated that their main problem had been lack of trained personnel which they were trying to overcome.

7.34. During evidence of Ministries, the Finance Secretary said, "one directive is that saving mobilized from the population should be utilised for planned development. In that process, the return to policy holders should not be unduly less. The law lays down that a certain percentage will be invested in the Central and State Securities. The LIC's policies are more or less guided by Government programme........The general distribution is that about 61 per cent constitutes the Central Government and approved securities. About 10 per cent goes to provide for the LIC's own needs of housing and accommodation etc. and the "own-your-own-house" Scheme of the policy holders and also loans which are given to policy holders against the policies, 11 per cent is invested in the shares and securities of the private sector....About the question of channelising our savings towards more socially oriented purposes it is for the Central and State Governments and other bodies to utilise these monies for the purpose of such programmes."

7.35. Asked how co-ordination was secured between the LIC and the Planning Commission regarding resources, he said that when the resources position was discussed, LIC was brought into the picture and its resources were taken into account at the time of Plan formulation. He also stated that LIC investment policy did not work at cross-purposes with Plan priorities.

7.36. When pointed out that though investment in private sectors was 11 per cent in absolute terms it was going up, the representative said that "if the whole thing was to go to the public sector, it will have to increase the rate of interest (which at present was 5 per cent as against 8½ to 9 per cent by private sector). With 10 per cent investment in private sector, the LIC is able to maintain the overall rate of interest at 6.75 per cent and also maintain a reasonable bonus to policy-holders."*

7.37. In its Memorandum to the Committee, the National Organisation of Insurance Workers, Bombay has observed that in the LIC 'investment has become a secretive activity' and have suggested that one way to charge the situation is "associating workers" representatives in investment decisions of the Corporation. The employees shall then get a sense of participation in nation building activities and that will bring about the psychological revolution which alone can be a predecessor to an economic and social revolution."

7.38. The Committee are happy to note that the resources generated by the Life Insurance Corporation are largely being invested in Government securities and are also being utilised for Public utility like provision of finance for own your houses scheme for policy holders and such public utility services as housing, water supply, electrification etc. The Committee are, however, of opinion that the investment of 11 per cent resources of the Corporation at present going into private sector enterprises in the form of shares and debentures, the financial aspect of it may be examined and suitable steps taken for a profitable diversion in this direction.

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*At the time of factual verification, Life insurance Corporation intimated as under:—

"LIC's investments in the private Corporate sector constituted 11% of the total investment. Although, percentage of investments in the private Corporate Sector was going down, it was rising in absolute terms. The average yield realised on investments in the public Sector during 1971-72 was 5·86% as against 7·6% for the private Corporate sector, thus with about 11% investments in the private Corporate sector, LIC was able to earn overall yield on the total investments at 6·18% which helped to maintain a reasonable bonus to the policy holders. If the entire investments are to be made in the public sector interest rates of Government securities and approved secrurities have to be increased (which at present are 5·7% maximum for Government securities and 6% for Approved Securities as against 8% to 9% on private Sector Debentures and loans). LIC's investments in stock Exchange securities of private Sector also help to off set depreciation in the market values of Government and Approved Securities."

D. Construction and Consultancy

7.39. Engineering India Ltd. was incorporated on 15th March, 1965 in collaboration with M|s. Bechtal International Corporation of USA, for providing engineering technical and consultancy services for petroleum projects, pipelines, petro-chemicals facilities, fertilizer projects and for designing and constructing general engineering mining and other allied projects. With effect from 14-6-1967, Government of India took over all the equity interest held by M|s. Bechtal International Corporation and their nominees in the Company turnover of the Engineering India Ltd. (volume of activities-income services) has increased four times since 1967-68. Year-wise turnover has been as under:—

Year	Turnove (Rs. lakhs)
1967-68	61·80
1968-69	78·34
1969-70	159·16
1970-71	277·63

7.40. During evidence the Committee enquired whether it was a fact that Engineers India Ltd. let out their job to consultant bodies all over the world and in the process the Company earned profit. In reply, the representative of the Ministry of Petroleum and Chemicals stated:

> "Broadly Engineers India generally make a one time purchase of technology. They associate themselves with foreign process licensors. The basic design engineering is done in the foreign licensors plant with the Engineers India people associated. Detailed design engineering is done in Engineers India Ltd."

7.41. Secretary, Ministry of Steel said that in steel industry also this had happened because of the fact that no body in the world was prepared to pass on the basic know-how. The Committee wanted to know what percentage of payment was made on acquisition of know-how.

In regard to the Central Engineering and Design Bureau of Hindustan Steel Ltd. please see page 22.

7.42. In a note furnished after the evidence, Ministry of Petroleum & Chemicals have stated this about acquisition of know-how:—

> "EIL today performs the process design and process engineering of all non-licensed process units. In the case of licensed or proprietory know-how, EIL now needs to obtain only process "know-how" from overseas, and in some cases from the CSIR labs. and can thus itself perform the necessary process engineering. A minimal association of licensors' representatives with the performance of EIL's work is highly desirable to ensure, amongst other things, smooth continuity of works; this is even insisted upon by licensors to enable them to ensure their guarantees. Even when process 'know-how' packages are developed overseas, agreements are made for EIL engineers to participate in this work. This results in automatic transfer of some of the 'know-how' to EIL. EIL has so far not attempted to enter into process licensing arrangements with overseas companies. This is because in the refining and petrochemical field, there is a profusion of licensed units; also foreign credits employed for setting up the different units could make it difficult or impossible for EIL to use a licensing agreement not pertaining to the same country as the foreign credit. Further more, with rapid changes in technology, the relative superiority of the 'know-how' of a particular licensor could be short-lived. Above all, EIL has undertaken a major R&D programme of its own EIL has also been successful in getting several experienced Indian Engineers from other countries. EIL also intends to make good use of a clause, in its technical collaboration agreement on heater design, which enables EIL to have its process design checked (at EIL's option) by its overseas collaborators. This is of importance in those cases where 'reaction heaters' are involved *e.g.*, visbreaking, coking, thermal creacking etc.".

7.43. As regards fees charged by Engineers India Ltd. the aforesaid post evidence Note of the Ministry records the following:—

> "EIL's initial assignments were on a cost plus fee reimbursible basis. EIL now takes independent responsibility for the execution of the job for which its own fees are quoted on a lumpsum basis. Though the purchase of equipment etc. is carried out on behalf of the client on actual cost, EIL does not draw any profit from purchase and supply

> of equipment to the client. With the increased capability and higher degree of confidence achieved by the organisation, it is now in a position to take on turnkey responsibilities. In most cases, the scope of work and its services cannot be defined with any degree of accuracy at the time of formulation of the project. It is to the advantage of the client himself therefore that the lumpsum quotation obtained from the engineering contractor be linked with the definition of the scope of the work which can be achieved only at the time when the process design has been finalised.
>
> EIL has recently executed two total turnkey projects namely, coke calcination plant and LPG modernisation plant for Indian OIL Corporation at Barauni wherein all engineering as well as supply of equipment alongwith construction and commissioning of the plants formed the scope of its responsibility.
>
> For projects involving very high investments, however, EIL undertakes to execute them on a turnkey responsibility basis wherein it takes the full technical responsibility for the project, though the capital expenditure for purchase of equipment and works is incurred by it under budgetory control on behalf of the client.
>
> EIL's clientele has considerably diversified since its inception. While IOC and IPCL have been its main clients, it is now providing services to Hindustan Copper Ltd. Hindustan Zinc Ltd. National Mineral Development Corporation, as well as private sector orgnisations. With its present enhanced capability to provide specialised designs for heat exchangers, furnances, trays, its clientele has further diversified to include such organisations as Atomic Energy Commission. NOCIL, Calicos, Hindustan Steel Ltd. Fertilizer Corporation of India, Shriram Chemical etc. EIL provides these services on competitive basis."

7.44. As regards profits earned by EIL, the Ministry of Petroleum and Chemicals have stated as follows:—

> "EIL's fees are very competitive with the fees charged by other comparable companies in the country and much lower than the fees charges by consultancy companies abroad. Also EIL provides complete guarantees in respect

of the services offered, *i.e.* basic design, detailed engineering, construction; EIL also guarantees equipment fabricated under EIL licence, such as heat exchangers, furnaces and distillation trays. EIL's gross profits (before tax) have for successive years approximated at 18—20 per cent of turnover which compares favourably with those of other successful design engineering organisations in the world. A significant portion of these profits are, however, ploughed back by EIL into R&D work and into purchase of equipment and instruments, and in providing specialised training and facilities to its staff, so as to rapidly further upgrade the quality and depth of services offered by EIL.

7.45. It has been stated by the Ministry of Petroleum and Chemicals that all agreements entered into by EIL with foreign engineering companies are approved by the various Governmental Agencies including the Foreign Investment Board and in all cases meet the guidelines specified by the Government of India in this regard.

7.46. As per the Ministry of Industrial Development and Company Affairs letter No. IP&FC—5(26)|68—II dated January 25th, 1969 the royalty payable for Foreign Technical Collaboration (with no foreign investment permitted) in respect of chemical and fertilizer plants under the category of industrial machineries industries can be upto 5 per cent. It will be seen from the following details that the royalty payable in respect of three agreements signed so far is below the permissible percentage.

Name of the Agreement	% of international cost of equipment	* of Indian cost of equipment
1. EIL—Iummus Heat Exchanger Agreement	3·43	2·26
2. EIL—Hydronvl Valve Tray Agreement	£5,000+5%	3·63
3. EIL—Foster Wheeler Fired Heater Agreement	(i) 5% till a total of £100,000/-	3·3
	(ii) 4% till a total of £200,000/-	2·64
	(iii) Fees of 2%	1·32

* International cost is approximately 66% of Inidan cost

The above sums are only paid when the equipment is actually designed and sold and forms a very small portion of the total cost of the equipment.

The amount of royalty paid for is as follows:—

1. Hydronyl initial down payment £ 2,500. In addition we have also paid £ 565.62 to M|s. Lummus for technical services rendered.

7.47. The Committee find that though the Engineers India Ltd. was incorporated as back as March, 1965, it has failed to grow into a full-fledged, self-reliant Consultancy Organisation in the public sector even in the limited sphere of petro-chemicals and fertilizer industries. Its dependence on foreign companies is evident from the fact that it has entered into agreements with foreign countries for Heat Exchangers, Trays and Fired Heaters.

The Committee attach the highest importance to achievement of self-reliance at the earliest in chemical industries as these occupy a place of strategic and vital importance in present day economy. The Committee are, however, not very clear about the role of Engineers India Ltd. in the field of technology and engineering for fertiliser industry vis-a-vis the expertise developed by the Fertilizer Corporation of India. The Committee are also not very clear as to what role these two organisations both of which are in the public sector are going to play in the Government's declared intention of having a crash programme for setting up fertilizer industry in the Fifth Plan in the country. The Committee would like Government to examine this matter in all its aspects and lay down a clear policy so as to obviate any controversy developing between these two organizations and for ensuring that the best technological and engineering skills are employed in the larger national interest for developing fertilizer manufacturing capacity in the country in the shortest time in the Fifth Plan.

7.48. Engineering Projects India Ltd. was registered in April, 1970. It takes up contracts on turnkey basis. No contract was executed by it in 1970-71. By the end of August, 1972, however, the work on hand amounted to Rs. 23 crores (approx.).

(In thousand)

Year	Excavation (cubic meters)	Concreting (cubic meters)	Fabrication (tonnes)	Erection (tonnes)
1967-68	1723	43	..	..
1968-69 .	4002	360	23	3·7
1969-70 . .	3320	434	30·5	21·8
1970-71 . .	2095	438	30·5	35·5
1971-72	1172	345	50	47

7.49. National Industrial Development Corporation undertakes varied assignments such as, (i) Feasibility studies and Project Reports, (ii) Detailed Project Report, (iii) Detailed Engineering, (iv) Techno-Economic Evaluations, (v) Regional Studies and (vi) other assignments. Number of Assignments undertaken by it each year is shown below :

Year	Feasibility studies & Project Reports	Detailed Project Report	Detailed Engineering	Techno-Economic-Evaluation	Regional studies	Other
1967-68	11	Nil	7	11	1	4
1968-69 . .	11(7)	3	5(4)	11(2)	1	(1)
1969-70 . .	8(4)	4(2)	6(2)	5(3)	2(1)	2
1970-71 . .	14(2)	3(2)	12(4)	2	1	(1)
1971-72 . .	28(8)	1	16(5)	6	2	6(1)

(NOTE : Figs. in brackets are for the Projects continuing from the previous year)

7.50. In their Twenty-Third Report (Fourth Lok Sabha), the Committee on Public Undertakings had come to the conclusion that the National Industrial Development Corporation Ltd. was not properly conceived and that it had gradually degenerated into a mere consultancy service. In para 7 of their Twenty-Third Report, the Committee on Public Undertakings (1972-73) had recommended that Government should, by a Resolution, define and identify the specific role that the NIDC should perform.

7.51. National Small Industries Limited supplies machines on Hire-Purchase basis to small scale units. Apart from selling of products of PTCs it secures contracts for small scale units under the Government Purchase Scheme. It is managing the Industrial Estate at Naini, Allahabad. Value of machines, raw materials and products supplied by it has increased by 138 per cent in a period of 5 years as per details given below:

Year	Value (Rs. lakhs)	Value of contracts	No. of training
1967-68	483.65	1916·16	531
1968-69 .	583·97	1774·26	581
1969-70	623·63	2086·31	518
1970-71	737·97	2211·35	622
1971-72	1151·31	5439·99	728

7.52. National Buildings Construction Corporation Ltd. secures works on the basis of tenders as well as by negotiations. The value of works executed by it has been increasing during the last five years as under:

Year	Value of work executed (Rs. lakhs)
1967-68	255·08
1968-69 .	298·07
1969-70 .	247·77
1970-71 .	326·26
1971-72	515·26

7.53 Hindustan Steel-works Construction Ltd. is engaged in construction of the Bokaro Steel Plant and other industrial projects. The extent of various works executed by it are as under:

(In thousands)

Year	Excavation (cubi c metre)	Concreting (cubic metres)	Fabrication (Tonnes)	Erection (Tonnes)
1967-68 .	1723	43	..	..
1968-69 .	4002	360	23	3·7
1969-70 .	3320	434	30·5	21·8
1970-71 .	2095	438	30·5	35·5
1971-72	1172	345	50	47

E. Miscellaneous

7.54. The actual procurement of fish by the Central Fisheries Corporation which was 1108 M.T. in 1967-68 was only 401 M.T. in 1971-72. The level of procurement has thus decreased by 63 per cent in a period of 5 years. Year-wise procurement had been as under:—

Year	Target	Procurement
1967-68	1000 M. T.	1108 M. T.
1968-69	1300 M. T.	1325 M. T.
1969-70	1300 M. T.	1207 M. T.
1970-71	1000 M. T.	724 M. T.
1971-72	465 M. T.	401 M. T.

7.55. The Central Warehousing Corporation has achieved 68 per cent increase in its warehousing capacity during a period of 5 years (1967-68 to 1971-72). Details are given below:—

Year	No. of warehouses	Capacity (lakhs tonnes)	Average% Utilization
1967-68	101	8·46	41*
1968-69	108	11·24	86*
1969-70	123	12·73	91*
1970-71	123	13·33	95%
1971-72	141	14·22	94

* Excluding space reserved by depositors but not utilised.

7.56 The Committee were informed that the Central Warehousing Corporation had contributed considerably to augmentation of storage capacity in the country and avoiding wastage in handling and storage of agricultural produce, inputs and other commodities. The number of warehouses increased from 7 with storage capacity of 7,000 tonnes in 1957-58 to 141 with storage capacity of 1422.3 thousand tonnes in 1971-72. The wastage due to faulty storage which was estimated at 6.6 per cent got reduced to .5 to 1 per cent in 1971-72 thereby adding Rs. 20 crores (both CWC and SWCS) to the national wealth in that year.

7.57 However, there have been certain features discernible in the working of the Warehousing Corporation which the Committee took opportunity to discuss, *viz.*:

(i) *Large hired capacity*—Out of a total storage capacity of

1422.3 thousand tonnes in 1971-72, the hired capacity was 574 thousand tonnes *i.e.* 40 per cent.

(ii) *Wastage in storage*—There was still considerable wastage in storage of foodgrains calling for improvement in storage conditions on scientific lines.

(iii) *Under utilisation of storage Capacity.*

(iv) *Non-fulfilment of targets, construction of warehouses through private contractors etc.*

7.58. During evidence, the Managing Director of the Corporation stated "We are hiring a large capacity. It cannot be possible for another 10 years to completely do away with hired capacity". In regard to wastage, he said that the Central and State Warehousing Corporations had succeeded in reducing losses to a nominal figure but "there is no complacency on our part. There is considerable scope for expansion as well as improvement." He also stated that as against the Fourth Plan target of 3.7 lakh metric tonnes capacity, they now expected to complete 6.8 lakhs metric tonnes.

7.59. As regards non-fulfilment of targets of seting up warehouses, he said that certain States Warehousing Units were lagging behind as they were not getting the due priority in their allocation of funds from the State allotment. Regarding under-utilisation of capacity, he said that until recently they had better overall utilisation of capacity (of over 90 per cent) but now the occupancy had suddenly gone down to 86 per cent.

7.60. The Committee feel that with the progress made in agricultural production in the country the warehousing for storage of foodgrains and other commodities assumes great importance. The Committee feel that there should be close coordination between the Food Corporation of India and Central Warehousing Corporation as well as the State Warehousing Corporations and other State sponsored organisations dealing with storage to avoid duplication in building and providing storage facilities. The Committee need hardly emphasise that these warehousing facilities should first and foremost become available for the use of State and the producers in the field and cooperatives and should not be allowed to be exploited by the intermediaries. The Committee would also suggest that the Central Warehousing Corporation should give a significant lead in developing storage facilities which are most modern and most competitive in charges so as to encourage development of new lines of trade and industry, e.g., refrigerated foods, fruits etc.

7.61. India Tourism Development Corporation has increased its colume of business by 18 times. Year-wise increase is given below:

Year	Sale of tourist Literature	Traffic Earnings Rental	Sate at Fine Shop	SEL duty Tickets Sales	Boardings & Lodging and Rental Receipt	Misc. Income	Total
1967-68	14·53	12·46	[illegible]·85	2·00		0·82	36·66
1968-69	51·57	16·16	7·16	2·92	1·86	0·92	80·59
1969-70	48·39	27·20	22·52	3·05	9·00	1·04	111·20
1970-71	39·70	40·87	28·25	3·01	440·25	10·40	562·48

CHAPTER VIII

FINANCIAL ACHIEVEMENTS

A. Profitability

Over-all profitability of enterprises in the public sector (except the Life Insurance Corporation and undertakings under construction) has been as under:—

Working Results of Public Undertakings

(except LIC and those under construction)

Year	No. of Profitable concerns	Net profit (Rs. Crores)	No. of Losing Concerns	Net loss (Rs. crores)	Total No. of PUs	Overall Net Loss Profit (Rs. crores)
1	2	3	4	5	6	7
1968-69 .	42	66·23	31	93·90	73	(—)27·67
1969-70 .	48	70·97	33	75·85	81	(—)4·88
1970-71	52	74·97	35	77·83	87	(—)2·86
1971-72 . .	58	99·65	35	118·61	93	(—)18·96

8.2 Among the profitable concerns, the following public undertakings earned the maximum profit during 1971-72:

	Profit (before prior period adjustment)
1. Indian Oil Corporation Ltd. .	. (+) Rs. 29·97 crores
2. Oil & Natural Gas Commission .	. (+) Rs. 12·22 crores
3. Shipping Corporation of India	. (+) Rs. 8·14 crores
4. Madras Refineries	. (+) Rs. 5·13 crores
5. Hindustan Aeronautics Ltd. . .	. (+) Rs. 4·77 crores
6. State Trading Corporation Ltd..	. (+) Rs. 4·65 crores
7. Mineral & Metals Trading Corporation Ltd. . .	. (+) Rs. 4·46 crores

8.3 During evidence, the following main reasons were given by heads of public undertakings for losses or low profitability in the public sector:—

(i) Present pricing policy was not fitted to their capital structure or rising cost of production;

(ii) existing capital structure of half equity and half loans put a heavy interest burden on them;

(iii) financial and economic objectives of undertakings had not been spelt out;

(iv) large amounts were being spent on providing amenities to staff;

(v) labour-management relations;

(vi) over-provisioning for depreciation of Plant and Machinery.

8.4 The Committee observed that whatever profits were earned by these undertakings were off-set by heavy losses incurred by other undertakings including Hindustan Steel Ltd., Heavy Engineering Corporation Ltd., Indian Drugs & Pharmaceuticals Ltd., Hindustan Photo Films Manufacturing Co. Ltd.

In reply, the Finance Secretary stated that Government were concentrating their attention mainly on 8 or 9 public undertakings which had lost rather heavily during 1971-72, as for example, Hindustan Steel Ltd. (Rs. 45.62 crores), Heavy Engineering Corporation Ltd. (14.85 crores), Neyveli Lignite Corporation Ltd. (Rs. 13.30 crores), National Coal Development Corporation Ltd. (Rs. 5.78 crores), Indian Airlines (Rs. 5.07 crores), Indian Drugs and Pharmaceuticals Ltd. (Rs. 4.70 crores), Mining and Allied Machinery Corporation Ltd. (Rs. 3.58 crores), etc. A six monthly review of the working results of public undertakings was undertaken by the Bureau of Public Enterprises in consultation with the Administrative Ministries and a report was submitted to the Cabinet.

Asked by what year, public undertakings which were incurring heavy losses were likely to break-even, the Finance Secretary stated that according to assessment of Government, Indian Drugs and Pharmaceuticals Ltd. may break-even in 1972-73, Hindustan Steel Ltd. in 1973-74, Heavy Engineering Corporation Ltd. and the Mining and Allied Machinery Corporation Ltd. in 1975-76.

8.5 The Secretary Ministry of Steel stressed that while making an analysis of working results of an enterprise, one should not go merely by the financial loss but contribution made to the exchequer should also be considered. For example, Hindustan Steel Ltd. had since inception paid back to Government about Rs. 700 crores by way of excise duty and interest on loan on an equity investment of Rs. 600 crores.

8.6 In a note furnished after evidence, Finance Secretary expressed the view that:—

"(i) If an undertaking goes in the 'red' as a result of payment of interest charges on the loans it receives from Government, it cannot be said to be making a profit but for interest payments. The grant of loans by Government to Units for capital investment involves a cost to the economy. The interest due from the undertaking on the loan can be said to be a rough indicator of the cost of finding such capital. Interest is thus an inescapable charge on the gross proceeds of an undertaking and is correctly treated as such according to all cannons of accounting...

(ii) As for the contribution made to the Exchequer by way of excise duties paid, it is an orthodox principle of social accounting that taxes, duties and other levies imposed under the fiscal policy of Government represent transfer payments from one segment of the economy to another. They do not *per se* represent any net addition to the real income of the economy and, consequently, they do not represent any generation of real wealth out of the national resources. If the evaluation of the preformance of an enterprise were to take into account the contribution made by it by way of transfer payments, it would amount to suggesting that alternatives were not available to Government. In point of fact, it is not so. Specifically, if investments by way of loans were not made in HSL and steel had, consequently to be imported instead, Government would still have had the option to levy customs duty on such imports. The fact that investments in the steel sector have been made on certain wider considerations does not make any difference in principle to the nature of the transfer payment.

(iii) To begin with, I may point out that a variety of considerations go into making investments in the public sector. Among such considerations may be mentioned, the broad policy under which the public sector is expected to occupy the commanding heights of the economy, build up the infra-structure in basic and heavy industries, correct regional imbalances, provide employment opportunities etc. Among the concrete physical and financial objectives, mention may be made of such parameters as full capacity-utilization, a reasonable return on capital (as an indicator of profitability), build-up of reasonable reserves and surpluses for growth, dividend on equity etc. It is, of course, realised that it will not be possible to indicate a precise rate of dividend, this depends *inter alia* on its character and its stage of growth and stability. The broad intention is that a trading company should pay dividend at rates ranging between 10 to 15 per cent whereas in the case of manufacturing enterprises, the range could vary between 6 to 12 per cent.

(iv) In appraising the performance of an enterprise, the Finance Ministry takes a total view of the situation. But the profitability of the concern, which considerably influences the other aspects of its activity, like generation of internal resources for growth, additional employment potential etc. occupies a dominant position in our appraisal."

In their Memoranda to the Committee while the Indian National Trade Union Congress has expressed the view that public sector should not be viewed in the narrow context of mere profitability, Bhartiya Mazdoor Sangh has opined that "true, profitability cannot be the sole or even the main criterion. But in view of the fact that the losses are met with by the public exchequer, that is, by the tax payers, it is fair to ensure strict economy in their working." National Organisation of Insurance Workers, Bombay, has expressed itself in favour of "replacement of profit motive by service motive" but feels that this should not be used "as a shield to defend inefficiency."

B. Return on investment

8.7. In the Fourth Plan document of the Planning Commission, it was indicated that "efforts could be directed to raise the rate of return on capital employed to 15 per cent by industrial and commercial undertakings other than public utilities. Additional resources, if thus raised, could be utilised for their development and expansion."

Since 1968-69, the over-all rate of return on capital invested in public sector enterprises ranged between 1.8 to 2.7 per cent.

8.8. The Return on investment (i.e. gross profits as percentage of capital employed) during the last 5 years (1967-68 to 1971-72) in respect of profitable public undertakings is indicated below (Appendix IV):—

Range of gross profit as % of capital employed	Number of Public Undertakings				
	1967-68	1968-69	1969-70	1970-71	1971-72
Less than 5 per cent	13	15	20	23	23
More than 5 but less than 10 per cent	12	11	14	12	14
More than 10 but lesss than 25 per cent	14	14	14	16	17
More than 25 per cent	2	3	3	5	10
Total :	41	43	51	56	64

8.9. The Committee find that the number of profitable concerns in the public sector has gone up from 52 in 1970-71 to 58 in 1971-72. The Committee also find that number of undertakings in whose case, return on investment (i.e. gross profit as percentage to capital employed) was more than 25 per cent has gone up from 2 in 1967-68 to 10 in 1971-72. While some improvement in general is thus discernible the Committee find from the overall working results of the Public Sector Undertakings that the overall net loss of Rs. 2.86 crores in 1970-71 has risen to Rs. 18.96 crores in 1971-72. Such losses, apart from being a drain on the country's resources cloud the real achievements of the public sector notably, the development of basic and strategic industries in the country, achevement of self-reliance, development of know-how, increase in empolyement potential etc.

The Committee agree with the view that in assessing the performance of public sector undertakings the financial profit or loss should not be the sole criterion and the contribution to the Public Exchequer should be given due weight.

[illegible]. The Committee hope that with the introduction of the new system of conducting a six monthly review of the working results by Government and submission of a Report thereon to the Cabinet

would enable the Central Govt./Public Undertakings to fathom the underlying reasons for low profitability in each enterprise and would enable the Government and the public undertakings concerned to take timely remedial measures to improve the profitability of the undertaking. The Committee also hope that the assurances given to them by the Finance Secretary during evidence that Indian Drugs and Pharmaceuticals Ltd. would break even in 1972-73, Hindustan Steel Ltd. in 1973-74 and Heavy Engineering Corporation Ltd. and the Mining and Allied Machinery Corporation Ltd. in 1975-76 would be realised.

C. Generation of Surpluses

8.10. As already stated, the Industrial Policy Resolution of 1956 envisaged that "it is to be expected that public enterprises will augment the revenue of the State and provide resources for further development in fresh fields". Table below shows the Plan targets and actual generation of internal resources by Public Undertakings (other than financial undertakings) as indicated in the Annual Report of the Bureau of Public Enterprises for the year 1970-71:—

plan	Target	Actual resources generated	Remarks
(i) 3rd Plan .	300	287	of these Rs. 69 crores represent retained profits and Rs. 218 crores depreciation.
(ii) 4th Plan	785	(in the 1st 3 years i.e. 1969-70 & 1970-71 1971-72)	of these Rs. 149 crores represent retained profits and Rs. 464 crores depreciation
(ii) 5th Plan	2690		According to Approach Paper

8.11. Internal resources generated by public sector enterprises during the last 5 years (1967-68 to 1971-72) are given below:—

Year	No. of undertakings	Depreciation (Rs. crores)	Retained profits / losses, etc	Total internal resources	Percentage increase over the per year
			(Rs. crores)		
1967-68	40	113.28	(—)9.09	104.19	—
1968-69	43	134.16	7.52	141.68	35
1969-70	47	146.12	47.91	194.03	36
1970-71	55	148.91	55.25	204.16	5
1971-72	68	169.27	45.51	214.78	5

8.12. Of the public undertakings which generated internal resources during 1971-72, the generation of internal resources was more than Rs. 5 crores in each of following undertakings:

(Rs. in crores)

		Depreciation	Retained Profits/Loss	Total
1.	Hindustan Steel Ltd.	68·73	(—)43·32	25·41
2.	Indian Oil Corporation	11.93	26·95	38·88
3.	Oil & Natural Gas Commission	8·28	23·12	31·40
4.	Shipping Corporation of India	8·06	6·54	14·60
5.	Fertilizer Corporation of India	11·46	1·94	13·40
6.	Hindustan Aeronautics Ltd.	6·31	5·97	12·28
7.	Bharat Heavy Electricals Ltd.	5·56	4·82	10·39
8.	Air India	7·19	1·31	5·88
9.	Madras Refineres	3·35	2·31	5·71
10.	Minerals & Metals Trading Corporation	0·09	5·10	5·19

8.13. Another statement showing the contribution made by some of the major undertakings to the National Exchequer by way of taxes, Central excise duty, dividends paid and interest paid to Government during the five years 1967-68 to 1971-72 is given at Appendix V. It will be seen therefrom that in 1971-72 alone, this contribution amounted to about Rs. 100 crores by HSL (Rs. 26.95 crores as taxes, Rs. 50.36 crores as central excise duty and Rs. 23.58 crores as interest on loans); Rs. 10 crores by Fertiliser Corporation of India (Rs. 5.26 crores as central excise duty and Rs. 4.37 crores as interest on loans), Rs. 6 crores by Heavy Engineering Corporation (as interest on loans), etc.

8.14. During evidence, some of the heads of public undertakings Heavy Engineering Corp, Indian Drugs and Pharmaceuticals, Hindustan Photo Films Mfg. Co. admitted that they had not yet been able to generate internal resources due to constraints of heavy interest liability, pricing policy, market competition etc. They urged that for purposes of reckoning generation of internal resources, inventories, interest on loans should also be included. It was also suggested by Chairman, IDPL that units producing basic items should be allowed to sell products by importing in initial years or imports of those items be canalised through S.T.C. and they should be given orders by Government departments (hospitals etc.) without resort to usual tendering system.

8.15. The Committee note with satisfaction that the total internal resources (i.e., depreciation plus retained profits) generated by public undertakings rose from Rs. 104 crores in 1967-68 to 215 crores in 1971-72. Besides this some of the major public undertakings like Hindustan Steel Ltd., Heavy Engineering Corporation, Fertilizer Corporation of India have been making substantial contribution to the national Exchequer by way of taxes, central excise duty, interest on loans, etc. which during the last 5 years (1967-68 to 1971-72) amounted to Rs. 529.66 crores from these three undertakings alone.

The Committee also hope that public Enterprises will in due course be generating more surpluses to be deployed for internal expansion.

D. Capital Structure

8.16. In regard to capital structure, it was stated by the heads of public undertakings that the present equity debt ratio of 1:1 loaded the undertakings with a heavy interest liability. In most other large industries the loan were to the extent of one-third. It was also indicated that in U.K. Government had written off the British Steel Corporation's capital to the extent of £ 250 million which had enabled the Corporation to break-even. In case the loans could not be written off, these should be kept in 'hybernation' *i.e.* no interest be charged till the Company had made profits.

8.17. The Finance Secretary stated during evidence that they had taken up restructuring of capital and in some cases losses had been merged into equity and in others moratorium was given on loans. The Secretary, Ministry of Steel stated that fact that these units continued to show losses, the general confidence in the public sector began to be eroded and that there was need for some reconsideration. He added that on an equity of about Rs. 800 crores in HSL, there was inflow back to the Exchequer of about Rs. 700 crores by way of interest, excise duty, etc.

8.18. In U. K. the capital requirements of nationalised industries are mainly financed by borrowing from the Exchequer. There have been some instances when the capital structure of nationalised industries had been reconstructed by Government by writing off accumulated deficits due to faulty policies|failures of management with a view to reduce interest payments, boost morale and efficiency of staff and bring the industry in 'better shape'. In this connection, the

Committee on Nationalised Industries, U.K. in their Report (1967-68) on Ministerial Control of nationalised industries had, however, observed that while considering need for such action, the Ministries should be conscious of political and wider economic considerations.

8.19. The Committee note that Government have recently reviewed the capital structure of a number of under-takings and have taken measures to see that the equity debt ratio is 1:1. Besides, special consideration has also been given to the investment made by the Public Undertakings on township and other developmental activities involving social obligations as an employer. The Committee understand that in Britain the capital structure of nationalised industries with reference to the gestation period, etc. had been reviewed. The Committee have no doubt that Government will take all aspects into consideration while reviewing the capital structure of the Public Undertakings particularly those which have a long gestation period and are serving basic developmental needs and are not allowed freedom of pricing policy.

E. Pricing Policy

8.20. It was stated by heads of Public Undertakings that the present pricing policy formula fixed by Government for products of certain undertakings (like H.S.L., F.C.I. Hindustan Shipyard etc.) were not fitted to their capital structure or rising cost of production. For instance, in the case of steel plants the basic price formula* which was laid down by Tarriff Commission in 1962 still remained unaltered. In the last 3 years, price of steel was increased by Rs. 9 per tonne in 1970-71, Rs. 33|- in 1971-72 and Rs. 47|- in 1972-73 but cost escalations in raw materials, iron ore, coal etc. had been phenomenal. Similarly, in the case of fertilizers, Government increased the prices in 1969 by 10 per cent and in 1972 by another 5 per cent to cover incidence of excise duty but the prices of raw materials utilities, labour, railway freight, etc. had gone up disproportionately, leading to a decline in profits. The Hindustan Shipyard had been required to work on costlplus zero basis till 1971 when a new pricing formula (under which a certain fixed assistance was given to Shipyard as a percentage over the price) was adopted but this was also inadequate.

The effect of this revised pricing formula will be felt only after 1974 as this pricing formula will apply only for new orders *i.e.* for the ships which will be delivered after 1974.

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*It was taken as Rs. 1176 capital per tonne of finished steel, which was the lowest capital investment at TISCO, then running cost plus 8 per cent return on capital. At that time HSL had already a capital base of Rs. 2400 per tonne.

8.21. In 1968, Government laid down the following guidelines regarding the pricing policy of public sector enterprises:—

(i) For enterprises which produce goods and services in competition with other domestic producers the normal market forces of demand and supply will operate and their products will be governed by the prevailing market prices.

(ii) For enterprises which operate under monopolistic or semi-monopolistic conditions, the landed cost of comparable imported goods would be the normal ceiling. Within this ceiling it would be open to the enterprises to have price negotiations and fix prices at suitable levels. If the landed cost is found|believed to be artifically low or in other exceptional circumstances it is considered necessary to have higher prices then the matter should be referred to the Administrative Ministry for an examination in depth in consultation with the Ministry of Finance and the Bureau of Public Enterprises.

8.22. In U. K., the nationalised industries seem to have maximum discretion in formulating their pricing policy to meet competition and to take advantage of commercial opportunities subject to the principles laid down* by Government in 1967. The most salient feature of these principles is that the prices should recover full accounting costs (including interest and depreciation) and should be related to the marginal cost. It is stated that under this marginal cost pricing system, the prices would be automatically determined by the industries' actual cost, the efficiency of the industries would be improved and the optimum allocation of resources secured.

Ministries are consulted before final decision is taken to increase prices. All major price increases are referred to the National Board for Prices and Incomes, which considers the justification for any increase in the background of industries' financial objectives, its timing and the extent to which cost could be reduced by increased efficiency.

8.23. During evidence, the Finance Secretary stated that where a reference was made to the Ministry of Finance to know the fair price, a committee headed by the Director General, Bureau of Public Enterprises, considered it and in fixing the fair reasonable price, the landed cost as also the cost of production were taken into consideration. Certain assumptions were made regarding cost of production namely cost at 70 per cent to 80 per cent capacity utilisation and not at the level at which industry was operating was taken, thereby giving some incentive to the undertakings to produce at the minimum cost.

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*Vide White Paper Command 3437.

8.24. When asked whether Government had considered the advisability of following a similar procedure as in U.K., the Special Secretary, Ministry of Industrial Development stated that the question of further improvement of the present procedure would come when the plants would be working to installed capacities. He also stated that the Tarrif Commission and the Bureau of Industrial Costs and Prices came in where the price was to be determined for the industry as such and not of individual items for which the procedure was that unless the parties came to an agreement, a Committee with a chartered accountant and an official of the Bureau of Public Enterprises considered the matter.

8.25. The Committee note that the pricing policy guidelines issued by the Bureau of Public Enterprises in 1968 continue to remain in operation. While these guidelines set out the position in correct perspective, the Committee have come across cases where the price was not firmly settled e.g. the price paid for iron ore to National Mineral Development Corporation, with the result that the Public Undertaking had no clear picture how it was faring financially. The Committee feel that Government should ensure that prices are fixed within a time schedule to be prescribed in this behalf so as to remove all ambiguity and uncertainty which militate against efficient functioning of an organisation as well as sound financial management.

CHAPTER IX

SOCIO-ECONOMIC ACHIEVEMENTS

A. Checking concentration of Wealth

9.1. The Industrial Policy Resolution of 1956 declared that:—

> "Equally, it is urgent, to reduce disparities in income and wealth which exist today, to prevent private monopolies and the concentration of economic power in different fields in the hands of small numbers of individuals."

9.2. In a written note the Planning Commission have expressed the view that:—

> "The public sector today occupies an exclusive or a commanding position in many industries. In this connection, special mention may be made of steels, non-ferrous metals, metallurgical equipment, fertilisers, petroleum, etc. As a result of the investments made in the public sector, the share of the private sector in the overall production in the above as well as in many industries has declined. The total investment in the public sector has at the end of 1970-71 stood at about Rs. 4700 crores. The growth of public sector at such rapid pace in basic industries has helped to reduce the concentration of economic power in private hands which otherwise might have taken place... It may, however, be mentioned that expansion of the public sector is only one among the many instruments to deal with this problem which has to be and is being tackled more comprehensively through various other policy and legislative measures covering fiscal and licensing policies and monopolies legislation.

9.3. In this context, it has however, been observed in certain quarters that "in terms of the benefits, both direct and indirect, accruing to the public through public enterprises...., the major chunk of derivative advantages has disproportionaly gone to a smaller section of the population like the contractors, distributors and the suppliers of raw materials and partly to the big industries...... The public sector as yet could not be termed as having functioned as a very effective instrument in curbing the concentration of wealth in a few hands."

9.4. In reply to a Question in Rajya Sabha on 23-8-72, the Minister of Company Affairs while giving the details of the assets* of ten large business houses in the country, *inter alia* said that the Government sought to achieve "deconcentration" of economic power through a "painless revolution". Selective nationalisation, selective acquisition of strategic share-holdings, dilution of equity among other things, by adding convertibility clause to loans given by public financial institutions were all part of the strategy employed by the Government. He added "while we want to achieve a growth rate in the economy at the same time, we want to have de-concentration by bringing about changes in the structural content of the corporation sector itself."

9.5. During evidence, representatives of public undertakings expressed the view that public sector has not yet been effective enough in checking concentration of wealth in private hands. Some of reasons for non-realisation of that objective given by the representatives of public undertakings during evidence are:—

(i) Feeder or input industries like industrial gases, conveyer belts and output industries like tubes, pipes, engineering machinery, drugs formulation which are quite profitable, are in the private hands.

(ii) Expansion of existing industries like drugs, fertilizers etc. has not been confined to public sector only.

(iii) Public undertakings are not given any preference by Government, business, like supply of drugs to hospitals etc. without following the usual tender system.

(Rs. in crores)

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*		1966-67	1967-68	1968-69
1.	Tatas	505·36	584·63	638·50
2.	Birlas	457·84	575·60	629·60
3.	Martin Burn	153·00	170·00	176·00
4.	Bangur	104·31	124·88	139·09
5.	Thapar	98·00	103·00	115·00
6.	Surajmal Nagarmal	95·62	107·00	103·00
7.	Mafatlal	92·70	135·00	156·00
8.	ACC	89·80	105·00	120·07
9.	Walchand	81·11	86·24	100·07
10.	Sriram	74·13	107·41	107·09

(iv) Distribution mechanism of some of the products like films etc. is in the hands of private distributors.

9.6. During evidence of Ministries, the Secretary, Ministry of Petroleum and Chemicals stated that Public sector was mainly confined to the core sector but with the largest capital formation in the country within the public sector i.e. public financial institutions and the natonalised banks, it should be possible to achieve the objective "if we pursue a policy which marries the investment of this capital formation with a return on capital also....by trying to create a tendency in equity and other capital of the profit sharing holding company." Regarding drugs formulation, he said that having achieved manufacture of basic drugs, they were now thinking of allowing the public sector to start formulations so that some profits could be made.

9.7. While the growth of investment in the public sector has to some extent helped to reduce the concentration of economic power in private hands, there is yet a great leeway to be made in realisation of this objective and making the public sector an effective instrument for preventing inequilities in income and wealth. So far even the derivative advantages accruing from the setting up of public enterprises seem to have mainly gone to a small section of the population like contractors, distributors, suppliers of raw materials and the big industries and the benefits have not proportionately percolated to the lower sections of the community. This trend needs to be checked. The Committee feel that, apart from the measures already being taken by Government in bringing about changes in the structural content of the corporate sector, there is need to pursue a deliberate policy of preferring public sector agencies for construction, supply of products and materials and distribution. They would recommend that Government should examine this problem with a view to removing deficiencies, if any, and devising suitable measures for an early realisation of the objective.

B. Removal of Regional Imbalances

9.8. In India, the regional imbalances have arisen due to a number of factors, some of which were:—

(a) inadequate attention paid by Britain on areas which were unimportant from the point of view of British Commercial and political interests.

(b) areas under the Indian Princes and those under the Zamindari system in one form or the other often had more unfavourable condtions for development initiatives.

(c) poor endowment of natural resources in some areas, and

(d) poor infra-structure and the resulting absence of external economies.

9.9. The position adopted in the Fourth Plan was that the development of backward areas in different States was essentially the responsibility of State Governments. The approach to the Fifth Plan (January, 1973) concedes that "the efforts for the development of backward areas have so far yielded inadequate results. The programmes for these areas were formulated for individual sectors at the State and national levels, in uncoordinated fashion, without taking into consideration (1) the potentials and priorities of different areas; (2) the coverage, dimensions and thrust of other programmes taken up in areas; and (3) the overall orientation and capabilities of the existing administrative and institutional structures."

9.10. In a written note furnished to the Committee, the Planning Commission have stated that "there is a fair measure of dispersal of Central Projects and various regions have a significant share in the industrial development, in the public sector. In this connection the following examples have been cited:—

(1) establishment of steel plants at Bhilai (M.P.) Durgapur (W.B.), Rourkela (Orissa) and Bokaro (Bihar);

(2) Fertilizer factories in Bihar, Punjab, Orissa, Maharastra, Assam, U.P., Tamil Nadu and Kerala;

(3) Heavy Electrical factories in U. P., Madhya Pradesh, Andhra Pradesh;

(4) Machine Tool Factories in Mysore, Kerala, Andhra Pradesh, Bihar;

(5) Precision Instruments factory at Rajasthan.

9.11. The aforesaid note of the Planning Commission goes on to say that:—

"In the location of industries in Backward areas, designed to promote the development of the region, it has to be noted that industrial development cannot be looked upon as the

> sole or always the most appropirate method of bringing about general economic development. In many areas, reliance might have to be placed primarily on agricultural and allied activities depending upon the potential available there. Rural electrification which has significance both for agricultural and industrial development is also a potent instrument in this regard. Secondly the nature of the industry is also important. While any industry will bring about some employment and incomes to the locality, not all types of industries have the same forward and backward linkages or other radiating effect such as will accelerate, economic activities in the surrounding areas. It is the small and medium type of industries which have larger potential for stimulating secondary economic activities in the area. In this connection, attention is being paid whereever possible, to the development of ancillary industries in the areas where public sector projects have been set up."

9.12. **The Committee find that in pursuance of the Industrial Policy Resolution and consistent with the demands of efficiency, the dispersal of Public Sector enterprises in various parts of the country have made significant contribution to developing some of the traditionally backward areas, like Bhilai, Roorkela, Bokaro, Assam, Ranchi. Development potential is also being created in several other areas like Konarak, Khajurao, Aurangabad, Belgaon, Gulmarg. The Committee hope that the good work initiated in this direction will be continued.**

C. Filip to Growth of Small Scale and Ancillary Industries

9.13. The Committee were informed by the Federation of Associations of Small Industries of India that in Japan small industries constitute 99.4 per cent of all manuaftcuring units in that country and they account for 70.1 per cent of industrial employment, 60.8 per cent of industrial output and 44.44 per cent of the total value of industrial exports. This achievement stemmed from the phenomenal growth of small industries in that country which could not have been possible but for the helping hand extended by the large units. In Germany and Sweden, many large scale manuaftcurers buy 40 per cent of their requirements from the small scale producers. In the United States, business machine factories purchased components, parts and assemblies varying between 50 and 80 per cent of the total components used. Some automobile manufacturers in that country purchase as much as 72 per cent of components, raw materials, castings and forging used in the production of cars from outside.

9.14. At present 128 items are reserved for exclusive manufacture in Small scale sector in India.

9.15. During evidence, the Federation of Associations of Small Industries of India stated that the following among others were the main difficulties being experienced by the small scale industries in the country:

(i) difficulties in procurement of adequate steel, quantity of raw materials and components, etc. It was stated that Small industries was getting only 20 per cent of their requirement for steel;

(ii) high prices of steel in the open market due to persistent shortage;

(iii) delay in production of materials by the public sector manufacturing enterprises, at the time they are needed.

(iv) high handling charges of State Trading Corporation and the Minerals and Metals Trading Corporation Ltd. (charges work out to 15 per cent on the basis of total cost);

(v) tendency on the part of larger industrial units to manufacture every small item under their own umbrella;

(vi) non-association of representatives of public sector enterprises on the Boards of Directors.

9.16. In April, 1970, a two day seminar on the Development of Ancilliary Industries presided over by the Cabinet Secretary was held at Hindustan Machine Tools Ltd., Bangalore. Extracts from some of the recommendations made by that Seminar are given below:—

(i) Before finalising agreements with foreign collaborators of aiding countries, the items which are proposed to be manufactured must be clearly specified;

(ii) Scrutiny of parts and components required for each item must be made by the competent technical person with a view to determining:—

(a) What should be manufactured by the undertakings;

(b) What should be developed and manufactured by ancilliary units in the small or large scale sectors;

(c) what should be sub-contracted or bought out. This may include fabrication, standard hardwares or other items; and

(d) what should be imported initially and for which items steps be taken for their early production, indigenously on a top priority basis.

(iii) At the time of licensing, the large enterprises (whether in the public or private sector) should spell out the items which they propose to farm out to ancilliary units either by value or by percentage. This will give a big impetus to the development of ancilliary industries. The percentage or the value of the ancilliary items can be fixed by the D.S. (S.S.I.) in consultation with the large enterprises.

9.17. A view was expressed before the Commitee that "Development of the ancillary and medium industries around the heavy industries like heavy electricals and steel mills has, till now, neither been very uniform nor significant. Consequently, the public sector too, like the private sector, has also led to the creation of imbalances and bottlenecks in the spread of industrialisation and the growth of medium and small scale industries. Thus the contribution of the public enterprises in the acceleration of industrial growth has been topsyturvy. This could be rectified if only a comprehensive followup plan is drawn up charting out the growth of ancillary and allied sectors along with the proposal to establish major industries."

9.18. The Committee solicited the views of heads of public udertakings, who appeared before them, on the above statement and enquired about the steps taken by them to encourage development of ancillary industries. It was stated that F.C.I. had ready paid great attention to the development of ancillary industries. And 27 units based on their bye-products or waste materials were functioning. At Heavy Engineering Corporation's plants a number of ancillary and small scale industries have been set up though there was still considerable scope. Hindustan Photo Films Mfg. Co. had not made much progress as the scope in their chemical industry was limited. Hindustan Steel could not have ancillary industries but had encouraged establishment of small scale industries and there were industrial estates at Rourkela and Bhilai. Hindustan Shipyard had encouraged development of ancillaries around shipyard but the difficulty was that no self-supporting ancillary industry or entrepreneur could completely depend on the industry/undertaking. They had, therefore, set up ancillary development cell to co-ordinate requirements of all shipyards in the country. At Indian Drugs and Pharmaceuticals plants, there had not been much progress despite efforts. It was stated that at Antibiotics plant, Rishikesh no body has come forward to set up packaging or rubber stoppers or printing labels industries, though they offered all facilities.

9.19. In a note furnished after the evidence, the Bureau of Public Enterprises intimated that as on 1st March, 1973, 139 new ancillary units under the guidance of 12 public undertakings had been established:—

1.	Hindustan Zinc Ltd.	2
2.	Heavy Electricals (I) Ltd. .	33
3.	Indian Telephone Industries Ltd.	20
4.	Heavy Engineering Corporation .	1*
5.	Machine Tools Corporation Ltd.	1
6.	Electronic Corporation Ltd.	4
7.	Bharat Heavy Plates & Vessels Ltd. .	3
8.	Mining and Allied Machinery Corporation .	15
9.	Bharat Heavy Electricals Ltd.	28
10.	Indian Drugs & Pharmaceuticals Ltd. (Rishikesh) .	9
11.	Bokaro Steel Ltd.	22
12.	Hindustan Insecticides . . .	1
	Total .	139
	Total as on 1-3-73 . . .	

9.20. The Committee find that in the process of development of ancillary industries so far only 12 public undertakings had set up 139 new ancillary units and the progress has not been uniform. There is tremendous scope for setting up more ancillary industries around giant public sector enterprises. The Committee feel that development of ancillary and small scale industries around public sector enterprises should be planned along with the major industry itself and there should be a clear understanding of the types of products to be obtained through the small scale sector for the use of major industry. The Committee are of the view that such an arrangement can go a

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*At the time of factual verification Heavy Engineering Corporation intimated that number of ancillary units in HEC is 227.

long way in solving the gigantic problem of unemployment, removing regional disparities the tackling the problem of eradicaion of poverty. The Committee were given to understand by the Federation of Small Industries of India during the evidence that small industries in India were facing numerous difficulties including the availabilities of steel, raw material and components, in adequate quantities and at a reasonable price.

9.21. The Committee recommend that Government should draw up in consultation with Development Commission, Small Scale Industries, a comprehensive scheme for integration of small scale sector with the public sector. The scheme should aim at optimum level of production by the public sector, strive to reduce the cost of production, meet the requirements of small scale sector in full after a thorough assessment of their needs and providing technical guidance to the small scale sector in full after a thorough assessment of their needs and providing technical guidance to the small scale sector.

The Committee feel that if this objective is pursued in letter and spirit it would lead to an help in widening the area of industrialisation and in creating a climate which would make for productive employment. The Committee would like public sector units to make a specific mention of the role they have played in developing and sustaining small scale industrial units to feed their manufacturing programme in their Annual Reports.

D. Generation of Employment

9.22. The staff strength of public sector enterprises had been rising at the rate of 6 to 8 per cent each year (except in the year 1969-70 when the staff increase was only 2.5 per cent) and by the end of March, 1972, the total staff strength of public sector undertakings stood at about 7 lakhs. Year-wise details of rise in staff strength are given below:—

Year	No. of Employees (in Lakhs)	Salary & Wages (including other benefits) (Rs. crores)	Percentage increase in Staff over the previous year	Percentage increase in Wage Bill over the previous year.
1967-68	5·535	220·19	6·2	21·5
1968-69	5·977	254·84	8	19
1969-70	6·128	289·95	2·5	14
1970-71	6·599	360·96	7·6	23 2
1971-72	7·012	415·01	6·3	15

9.23. The Committee enquired as to how the public undertakings ensured that the employment potential created in the public sector was of a productive nature and had the multiplier effect of creating more employment. In reply, Hindustan Steel Ltd. stated that care was invariably taken by them to ensure that all additions of manpower were of a productive nature. Additions of staff were based on 'Work Measurement Studies'.

9.24. Fertilizer Corporation of India have stated that fertilizer plants were not generally labour-intensive and hence they did not, by themselves, create more employment opportunities.

9.25. Hindustan Shipyard Ltd. have stated that "unless the intake of additional manpower into the industry contributes to higher production, the multiplier effect cannot be achieved."

9.26. Indian Drugs & Pharmaceuticals Ltd. have suggested that "public undertakings should exploit opportunities for diversifying and expanding their scope of activities in the profitable line so as to generate higher potential for employment and reduce the problem of unemployment."

9.27. The Committee are glad to note that public sector enterprises have been able to generate emplopment to the extent of 6 to 8 per cent each year. As on 31st March, 1972, the total staff strength of these enterprises stood at 7 lakhs and the total wage bill (including other benefits) at Rs. 415.01 crores for the year 1971-72. The Committee feel that if the public sector enterprises work at optimum capacity and after consolidating it enter into new fields, they can help a lot in relieving unemployment in the country.

E. **Model Employer**

9.28. Public sector enterprises have been acting as model employers by providing housing, education and medical facilities, subsidising transport and encouraging social and cultural activities among their employees.

9.29. Expenditure incurred by Public sector enterprises during the last 5 years on maintenance and administration of townships and other social overheads was as under:—

Year	Maintenance of Townships (Rs. in crores)	Other social overheads (Rs. in crores)	Total (Rs. crores)
1968-69	15·8	9·3	25·1
1969-70	17·5	11·2	28·7
1970-71	18·4	16·00	34·4
1971-72	*15·3	19·00	34·3

*Note : The Committee have been informed that to reduce burden on social cost of the public undertakings Government have decided that the entire investment in township will be financed by half equity and half loan. This has resulted in lower township cost in 1971-72 as compared to the preceding year.

9.30. The total outlay on townships of Public Sector Undertakings has been as under:—

Year	Estimated Outlay Rs. crores	Actual Exp. (Rs. in crores)	Percentage of the Corresponding Outlay on projects
1967-68	300	220	6%
1968-69	300	248·95	7%
1969-70	300	264·56	6%
1970-71	335	266·99	6·6%
1971-72	345	294·55	6·4%

9.31. In respect of the following undertakings the net expenses for 1971-72 on townships administration and maintenance and on social overheads were more than Rs. one crore:—

	(Rs. in crores)
(i) Hindustan Steel Ltd.	9·25
(ii) Fertilizer Corporation of India Ltd.	2·32
(iii) National Coal Developmnt Corporation Ltd.	2·25
(iv) Indian Oil Corporation	2·14
(v) Hindustan Aeronautics Ltd.	1·63
(vi) Bokaro Steel Ltd.	1·31
(vii) Heavy Engineering Corporation	1·31
(viii) Indian Telephone Industries	1·23
(ix) Bharat Heavy Electricals Ltd.	1·05

9.32. The Committee asked whether the present level of expenditure on social obligations like housing, medical and educational facilities was considered adequate. In reply, the Bureau of Public Enterprises stated that "a uniform yardstick of social cost applicable to all public undertakings does not appear to be feasible," due to increased labour cost, increase in price level of commodities, locational differences, etc.

9.33. The Committee find that during the years 1968-69, 1969-70, 1970-71 and 1971-72, public sector enterprises incurred expenses of Rs. 25.1, 28.7, 34.4 and 34.3 crores respectively on maintenance of townships for their employees and on other social overheads like education, medical facilities, transport subsidy etc. The Committee regard this expenditure as a commendable effort of public enterprises. The Committee hope that such social welfare schemes should be more and more taken in hand keeping in view the availability of resources.

CHAPTER X

PRODUCTIVITY

Many enterprises in the public sector as, for example Indian Drugs and Phamaceuticals Ltd., Hindustan Shipyard Ltd., Hindustan Photo Films Mfg. Company, Fertiliser Corporation of India., etc are not maintaining any productivity indices to indcate the level of productivity achieved by them each year.

10.2. Hindustan Steel Ltd. have, however, intimated that they maintain productivity indices showing ingot productivity per man year. During the past 5 years productivity in Bhilai Steel Plant ranged between 76 to 80, in Rourkela Steel Plant between 41 to 59 and in Durgapur Steel Plant between 35 to 48 ingot tonnes per man year. While in Rourkela productivity suffered a set back due to roof collapse in 1971-72, in Durgapur adverse trend was stated to be partly due to the unsatisfactory industrial relations. As compared to this Steel industries in other countries had achieved higher levels of productivity. For example during 1971, Japan had achieved 280 ingot tonnes per man year, USA 244, West Germany 166 and British Steel Corporation 125. Hindustan Steel Ltd. are of the view that levels of productivity in India were not comparable with the levels achieved in other countries because of differences in layouts, processes employed, capacities of equipment, level of skill of employees, quality of raw materials etc.

10.3. Industrial peace is vital to the growth of productivity. In its Memorandum to the Committee, Indian National Trade Union Congress has expressed the view that "public sector management mostly considers it a law and order problem and not a human problem" and "management machinery moves only when there is agitation and demonstration and thereby constitutional trade union movement is always at a disadvantage". It has suggested setting up of a Standing Bi-partite Joint Consultative Committee at Plant level or company level and for the public sector undertakings as a whole at the national lavel.

10.4. Bhartiya Mazdoor Sangh, on the other hand, feels that the present arrangement for ensuring industrial peace is "neither scientific nor adequate". It has suggested that as the multiplicity of unions has now become a fact with which managements must learn to live, the principle of "composite bargaining Agency" should be adopted. According to them, this is the only way to ensure industrial peace.

10.5. National Organisation of Insurance workers is of the view that it is only by the process of productivity bargaining that trade unions should be converted into People's organs for mass actions to achieve given rises in standards of living by building up a structure of micro planning from field level to meet the present super structure of macro planning."

10.6. During the course of evidence, Shri P. L. Tandon, former Chairman of STC expressed the view that apart from workers representation on the Board, they should be given a share in the equity capital of the undertaking in which they serve. He said that "I would give it to him in the form of equity so that it would be anti-inflationary and at the same time, it will give him a stake; it will be a sort of savings. * * * It also gives him a very good retirement benefit because it will be paid back to him." These shares could be compulsory upto a certain limit and voluntary beyond that. They should be non-transferable.

10.7. In its Memorandum to the Committee, Indian National Trade Union Congress has agreed in principle that workers should have a share in the capital of an undertaking they serve in, but it feels that such participation should be on voluntary basis.

10.8. Bhartiya Mazdoor Sangh has expressed the view that "labour should be evaluated in terms of shares and workers raised to the status of shareholders." It has desired that the details of the process should be worked out in consultation with the economic experts and workers' representatives.

10.9. Ispat Karamchari Sangh, Ranchi feels that if the response of workers to the scheme of voluntary Provident Fund is any indication, there will be poor response to the scheme of workers participation in the capital "in the present day situation of the earnings of the workers and their capacity to meet their both ends." It also feels that workers participation in equity capital will, in some way or the other, check mobility of the labour from one undertaking to another.

10.10. Hatia Kamgar Union, Ranchi has not favoured the view of workers' share in the equity capital of Public Undertakings "in the present stage of ideological conflicts as it will give a push to capitalist ideology."

10.11. In its Memorandum to the Committee, Indian National Trade Union Congress has observed that "without significant increase in productivity in various fields, the country cannot come out of the economic morass through which it is passing." It has referred to the fact that labour "is allergic and sometimes hostile to increased productivity on account of the fear that if they produced more they might be laid off or reduce the employment potentiality." It has suggested that productivity incentive schemes based on agreed norms should be extended to all workers.

10.12. Hatia Kamgar Union, Ranchi is of the view that "productivity consciousness and level of productivity will generally increase in the same proportion in which the class composition of the state power will shift in favour of working class." It has suggested that production-oriented and result based wage structure should be evolved from top to bottom.

10.13. In its Memorandum furnished to the Committee, Ispat Karamchari Sangh, Ranchi stated that "the system of awarding Factory's Flag will not have much effect on productivity of the working force." In their opinion, it will create bickerings in the minds of other groups and feeling of discrimination.

10.14. The Fertilizer Corporation of India Employees' Union, A.P., Hyderabad, has suggested that there should be incentive rewards and presentation of colours to the team at ceremonial functions for higher production.

10.15. During evidence of the National Productivity Council, the Committee referred to the recommendation made by the National Seminar on Productivity held in March, 1972 that Managements in India should "try to replace conventional wage agreements by productivity-based rewards agreements, for bringing about higher standards of living for the working class and improved enterprise-level productivity" and pointed out that during the last 10 years, while the number of workers in the registered factories had gone up by 3 per cent only productivity had increased by 6.5 per cent. Although Productivity of Indian labourer was understood to be 80 per cent of the productivity of a Japanese worker, the wages of an Indian Labourer were about one-fifth of that of the Japanese Labourer. The Committee enquired whether it was a fact that the productivity in the affluent and developed countries of the world was more because there the labour was better fed, better clothed and better housed. In reply, the representative of the Council stated that they were aware that trade unions were not favourable to the idea of linking wages with productivity. He added that at a meeting of the Council held on 5th December, 1972 when the Minister of Industrial Development was also present, it had been decided to carry out a study covering past few years to determine to what extent productivity and wages had gone up in the country. The representative of the Council agreed that motivation to higher productivity depended as much on psychological factors as on financial incentives.

10.16. During evidence of Ministries, the Special Secretary, Ministry of Industrial Development stated:—

> "We are very much concerned about the level of productivity in public enterprises because this is an area where tremendous improvement is not merely possible but is positively called for. We have tried to get data or productivity in like industries outside India and also from other producing industries within India. Unfortunately, we have not been very much successful because a lot of this information is considered by these industries as secret and they do not want to part with it....Public Sector enterprises do keep some sort of indices to assess what they are doing but whether they make a systematic study of indices monthly or quarterly, I would not be able to say."

10.17. The Committee feel that in the interest of improving performance, Public Sector Undertakings could with advantage make use of Modern Productivity and management techniques like maintaining progressive and comparative productivity indices.

10.18. The Committee regard psychological factors in an enterprise to be as much important for productivity as financial ones. The Committee recommend that apart from monetary incentives that are given by Managements, Government should institute schemes of public recognition of public sector enterprises who set up new records of productivity.

CHAPTER XI

A. Research and Development

11.1. Although the importance of Science and Technology was recognised by the Government of India and set forth in the Science Policy Resolution, 1958, it was only in 1971 that a Department of Science and Technology was created.

11.2. National Committee on Science and Technology (NCST) has been constituted by Government to prepare the Science and Technology Plan. This plan is being prepared for the first time in the country. The plan would bring about coordination between Defence Reserch and the Research & Development efforts in the rest of the economy. The main thrust of the Science and Technology would be to decrease dependence on foreign technology and lay greater stress on self-reliance. NCST has constituted a number of panels to "review the status of technology on the ground in their appropriate fields, identify the gaps existing in our technological capabilities and suggest areas where improvements in research and development efforts are necessary. Another Committee under the Chairmanship of Director General, C.S.I.R. has been going into the role of research and development in the private sector.

11.3 All the four steel plants including the Alloy Steel Plants, Durgapur, belonging to the Hindustan Steel Ltd., have well-equipped research and control laboratories. These laboratories are mainly engaged with routine process control and quality control. Besides, these Research and Control laboratories, a Central Research and Development Organisation has also been set up. The annual expenditure on Central Research and Develpment Organisation had ranged between Rs. 1.5 to 2.2 lakhs. If the Hindustan Steel Ltd. were to spend even one per cent of their annual turnover on research and development, they will have to set apart Rs. 4.5 crores per annum for this purpose.

11.4. The percentage of expenditure on research and development to total expenditure in the case of some other major public undertakings was as under during 1971-72:—

		Percentage
1.	Electronics Corporation of India	6·46
2.	Bharat Electronics Ltd.	3·52
3.	Fertilizer Corporation of India	2·[illegible]
4.	Hindustan Antibiotics Ltd.	3·90
5.	Hindustan Machine Tools Ltd.	3·5
6.	Indian Drugs & Pharmaceuticals Ltd.	1·26
7.	Neyveli Lignite Corporation Ltd.	0·14

11.5. In its Memorandum to the Committee, Indian National Trade Union Congress has laid stress on 'continuous research' and desired that a certain percentage should be earmarked for it, so that the quality of goods could be ensured and at the same time it could be competitive both in the National and International Markets."

11.6. Bhartiya Mazdoor Sangh has observed that "there is no arrangement today for exchange of information or the research findings between different plants of the same category within the public sector or between the public and private sector. Exchange of research findings and their availability to all the Units should be arranged."

11.7. Hatia Kamgar Union, Ranchi feels that "least we talk of dovetailing public sector research developments with private sector ones the better.....Life has proved that private sectors have invested little towards research developments." There should be centralised development departments for R&D for each type of industries in public sector coupled with Branches in each separate undertaking.

11.8. Talcher Fertilizer Workers Union has stated that survey made by CSIR of certain undertakings in the period 1958 to 1962 had indicated that money spent by private sector for research was negligible. The Union feels that research should be "need and production based," and should have relevance to the goods manufactured.

11.9. National Organisation of Insurance Workers, Bombay has opined "research units must be constituted industry wise and region-wise in each industry and their work should be coordinated horizontally and vertically both within the industry and with the State and Central Government agencies and by their cooperation with other research bodies."

11.10. Ispat Karamchari Sangh, Ranchi has drawn attention to the fact that facilities created in the national laboratories located near industrial sectors had remained unutilised by industries in the area and has expressed the view that there should be a closer rapport between the national laboratories under CSIR and the Research and Development Laboratories under the public undertakings. There should be close coordination and regular exchange of ideas between the scientists of both these organisations by means of seminars, symposiums and exchange of papers.

11.11. During evidence of Ministries, the Secretary, Ministry of Steel, stated that at present, country was spending much less than one per cent on research and added that "research and development in the country requires very major efforts. It is still rather at a low stage of development." He agreed that effort of research and development should be "in and around" the plants because if industrial research springs from and grows with the industry itself, it would be able to contribute the most.

11.12. The Secretary, Ministry of Petroleum and Chemicals stated that the Oil and Natural Gas Commission had got their own Institute for research and development activities. Indian Oil Corporation do not have any research institution of their own but they use the excellent facilities available at the Indian Institute of Petroleum. Additionally, IOC is building its own Research and Development Centre at an estimated cost of Rs. 250 lakhs. This laboratory is expected to become fully operative by the middle of 1974. Fertilizer Corporation of India have a planning and Development Division. Hindustan Antibiotics Ltd., had been spending on an average nearly 3.7 per cent of their annual sales turnover.

11.13. The Committee are glad to note that the main thrust of the Science and Technology Plan being prepared for the first time in the country would be to reduce dependence on foreign technologies and to develop self-reliance. They find that some infra-structure for carrying out applied research is already available in the public sector.

11.14. The Committee also stress that an integrated and well thought out arrangement should be developed for meaningful coordination between the research organisations, particularrly in Public sector and Government, in the interest of making a concerted effort to find workable and practical solutions to the production problems in the shortest time.

The Committee feel that basic and fundamental research and development which calls for heavy investment with long gestation

periods would be the responsibility of specialised institutions already established and research institutions should establish close communication between themselves and potential users of Research and Development of which Public Undertakings form a significant part.

B. Self Reliance in Technology

11.15. In their Memoranda to the Committee while the Indian National Trade Union Congress has stated that in India "we have to invent or develop appropriate technology which will ensure growth of employment rate without sacrificing efficiency," and opined that "India is in a position now to compete in international standards also without foreign collaboration in many fields, Bhartiya Mazdoor Sangh has suggested that responsibility for acceptance of faulty Detailed Project Reports should be fixed, cases of excessive number of technicians inducted by collaborationists should be investigated, reluctance of foreign technicians to instruct their Indian counterparts should be looked into, and all restrictive clauses regarding purchase of raw materials machinery, spare parts, etc. be scrapped and foreign collaboration agreements revised.

11.16. Ispat Karamchari Sangh, Ranchi feels that "though in the initial stages, it was necessary to depend almost entirely on foreign countries for consultancy, for supply of equipment, and process know-how, we must now substantially stand on our own legs."

11.17. Hatia Kamgar Union, Ranchi is of the view that "even when there are signs of development towards self-sufficiency, indigenisation cost control and diversification on self-generative basis" authorities act otherwise. It feels how else handing over oil exploration to Japan, Fertilizer to Western Co. collaboration, cross bar telephones to USA and persistent refusal to nationalise oil can be explained.

11.18. During evidence, the Committee enquired as to the steps taken by Government to give proper direction to R & D effort in the public sector and to secure greater co-ordination between the Undertakings and the research institutions. The Secretary, Ministry of Steel, stated that "In regard to steel industry, we have now set up a separate person in-charge of research and development and this will be one of the important functions of the Steel Authority, and already small nuclei exist around the steel plant.......the effort of research and development will be in and around the plant...... ....Generally it is recognised that research and development in the country requires very major efforts..........."

11.19. The Finance Secretary said that the problems raised in this question were under the active consideration of Government and they had set up a separate Department of Science and Technology which had prepared a science and technology plan where the emphasis had been laid on self-reliance. That plan was discussed and was going to be incorporated in the Fifth Plan. The effort was to give about 1 per cent of national income for research and development. The Science and Technology Department would bring about correlation and coordination between all the research agencies working under the Government.

11.20. When asked whether the recent decision of Government to enter into foreign collaboration for fertilizer plants and off-shore exploration, in respect of which there was adequate expertise in the public sector, did not run counter to Government's avowed aim of encouraging indigenous know-how and achieving self-reliance, the Secretary, Ministry of Petroleum and Chemicals stated that there was yet no complete self-sufficiency in fertilizers. There were also other factors like time factor so as to attain quick self-sufficiency in foodgrains and foreign exchange availability. Even the Fertilizer Corporation of India was setting up two fertilizer plants with foreign collaboration. Further the requirements for fertilizer plants were so much that after making maximum use of Indian Technology, equipment and machinery, foreign collaboration could not be ruled out altogether. Therefore, it was not counter to Government's principle. In regard to setting up fertilizer plants on coal base, developed by Fertilizer Corporation of India he said that Fertilizer Corporation of India was engaged in setting up these plants and that they would watch their experience.

11.21. Regarding collaboration for off-shore, oil exploration, he said that though there was self-sufficiency in technical areas like seismic surveys, processing of data, manufacture of equipment for drilling/refining, there were the other questions like time factor, foreign exchange and risks involved that necessitate foreign collaboration.

He also indicated that areas like 'Bombay High' where chances of oil being struck were bright, would not be open to any foreigner at all but would be done by the Oil and Natural Gas Commission.

11.22. When pointed out that these instances of reliance on others, particularly Fertilizer Corporation of India setting up fertilizer plants with foreign collaboration indicated a desperate effort on the part of Government to shield their failure to develop self-sufficiency in technical know-how all these years, he said "this is in the immediate future, not perpetually. For the immediate future, for the next 3 years or 4 years or 5 years only this is what we want."

11.23. Asked how it was that in certain cases out-dated technology had been acquired e.g. the know-how obtained for Hindustan Photo Films Mfg. Co. in 1960 was not a modern one even at that time, the Special Secretary, Ministry of Industrial Development admitted that the technology they went for Hindustan Photo Films Manufacturing Co. was not the latest. He added "We had contacted four to five parties. They were not willing to collaborate with us. So, we felt that we will have to make a start somewhere. This was the one technology available..........We know that their technology was not the latest one. When the collaboration took place with this French firm, they were in the line. Within three years, that company changed hands and an American company took over that. They were not in that particular field". He added that they were now negotiating with Agfa for expansion and that it would be the most modern technology. The old plant will do with suitable modifications.

On being asked whether Engineers India Ltd. were merely taking work from customers and letting out in portions to foreign collaborators, it was stated by the Secretary, Ministry of Petroleum that they generally associated themselves with foreign process licensors. The basic design engineering was done in foreign licensors plant and detailed designing by Engineers India. When pointed out that detailed component designing was a very simple job and it would never advance our technology, it was stated that it happened in steel plants also as no body was prepared to part with the basic know-how like thermodynamic calculations for coke ovens, etc.

11.24. The Committee find that some progress has been made towards achievement of self-reliance in technology in areas like fertilizers, oil exploration, steel, etc. but in other areas the country is still largely dependent on foreign technical collaboration. The Committee hope that Development of indigenous know-how will be undertaken more vigorously and dependence on foreign collaboration progressively reduced.

CHAPTER XII

STANDARDISATION AND QUALITY CONTROL

A. Standardisation

12.1. The need for promotion of standardisation and variety reduction has been recognised by most of the public undertakings to bring about efficiency and economy in their operations. For example, at Heavy Electrical Equipment Plant, Hardwar (BHEL) as many as 1165 plant standards have been finalised by the standardisation Bureau. The Plant maintains an uptodate Library of standards, the Reference Section of which contains copies of various international standards *e.g.*, ISS, BSS, Gost, Div., etc. Hyderabad Plant of Bharat Heavy Electricals has also prepared 300 factory standards.

12.2. Though the range of equipment manufactured at Heavy Electricals (India) Ltd. conforms to individual designs, yet they have attempted standardisation by standardising certain standard popular sizes and types of large power transformers and the customers were persuaded to accept them, thereby giving them the benefit of shorter delivery, and easier spares availability.

12.3. Standardisation of Iron & Steel products can be in respect of quality and size. This work is being done by the Indian Standards Institution and the Indian Railways who have evolved a large number of Indian Standards and Indian Railway standard. Keeping the end use in view the Joint Plant Committee has conducted a systematic study and reduced the number of different sizes/sections into a compact number of 'Rationalised Sections.'

12.4. At the Heavy Engineering Corporation Ltd. major areas of standardisation include standardisation of specification of raw materials, tools, fixtures, rationalisation and unification of assemblies and Sub-assemblies, spares, etc., introduction of Corporate standardisation programme and close liaison with I.S.I. Nevveli Lignite Corporation Ltd. have standardised certain items of stores such as bearings, V—belts, oil seals, paints, lubricants, etc., as a measure of inventory control.

B. Quality Control

12.5. The nature of Quality Control measures depend upon the type of industry. For example, Hindustan Steel Ltd. have laid down rigorous technological discipline at each stage of the manufacturing process. Their Research and Central Laboratories are engaged not only in testing the quality of the inputs but also ensuring process control. Hindustan Steel Ltd. is producing plates to International Lloyd specifications inspected by Lloyd Agents. HSL is also authorised, and produces pipes to the International API (American Petroleum Institute) rigid standards. HSL rails have been shipped to 9 different countries of different specifications and rigid inspection standards. Hindustan Steel Ltd. have recently commenced work in all the plants for introduction of "Statistical Quality Control" with the help of an I.S.I. Team of Statistical Quality Control and operations Research specialists. It has been claimed that as a result of these measures, the proportion of rejection in the total production in their enterprise had gone down.

12.6. Bokaro Steel Ltd. are taking steps for on line application of Computer with tele-processing facilities for production planning and control. Such an application is being attempted for the first time in the country. Besides an Isotopic Laboratory has been provided. This will help in determining internal defects in casting and forgings with the aid of Radio Active Isotops.

12.7. In Hindustan Machine Tools Ltd. and some other undertakings e.g. Electronics Corporation of India, Hindustan Teleprinters Ltd. 100 per cent inspection of products is done to ensure quality. Consequently there have been no major complaints from consumers.

12.8. Quality Control Department of the High Pressure Boiler Plant, Tiruchy (BHEL) has laid down standard technical delivery conditions for all raw materials. As making of High Pressure Power Boiler is a fabrication industry, welders form a big part of the direct workers and are given training in the theory and practice of welding.

12.9. In the Heavy Electrical Equipment Plant, Hardwar stage-to-stage inspection is carried out. There are many other enterprises where stage-wise inspection is done, as, for example, Electronics Corporation of India Ltd., Cement Corporation of India, Bharat Heavy Plants and Vessels, Heavy Engineering Corporation, Hindustan Photo Films Mfg. Co., Hindustan Steel Ltd., Indian Telephone Industries Ltd.

12.10. Shipbuilding is a tailor-made industry. Nevertheless the effort of the Hindustan Shipyard Ltd. has been to negotiate with the customers for placing orders of a series of ships of the same type. The quality of material equipment and machinery that go into the ship are checked and certified from start to finish by various certifying authorities like Lloyd's Mercantile Marine Department, etc. All the ships that are built in the yard are stated to be of high quality and were awarded the highest classification viz.+100AI by the Lloyd's Register of Shipping.

12.11. Modern aircraft engines are exteremely sensitive to the product quality and even the slightest deviation from specifications' may result in serious consequences. Since safety is paramount in aviation, the Indian Oil Corporation see to it that aviation products manufactured at their refineries meet the international specifications. It is because of stringent quality control, that even a number of International Airlines operating through India had awarded their fuel supply contracts to the Marketing Division of I.O.C. in spite of high competition from other foreign Oil Companies.

12.12. In the Fertilizer Industry, as for example, in the Plants of the Fertilizer Corporation of India, and Fertilizer and Chemical Travancore Ltd, Chemical laboratories have been set up to check on quality of products. Besides, quality of material that is despatched, packing material that is procured and variation in weights of bagged material is also ensured.

12.13. A mention about the quality control measures adopted by the Central Ware-housing Corporation, also appears necessary because the quality of services provided by them affects the health and well being of the people. For the purpose of scientific storage of stocks, the Central Warehousing Corporation analyses and grades the stocks offered to it, undertakes periodical dis-infestation operations and gives prophylactic treatment.

The result of these measures is that stocks stored in the Warehouses fetch a premium price in the market over the stocks of the grade. Scientific storage has also helped to preserve the quality of exportable agricultural commodities thereby earning valuable foreign exchange *e.g.* tobacco, pulses, coffee seeds and spices.

C. Rejections

12.14. One of the major reasons for high cost of production in certain plants is the occurrence of abnormal rejections.

During 1971-72 the rejections at the plant level have been as high as 66.85 per cent of X-ray production and 36.42 per cent of cine films production at Hindustan Photo Films Mfg. Co., 51 per cent of surgical instruments production at IDPL and 9.9 per cent at Heavy Machine Tools Plant of the Heavy Engineering Corporation (Appendix VI).

12.15. During evidence, the Chairman of the Hindustan Photo Films Mfg. Co. stated that 50 per cent rejections were due to manufacturing defects as most of the processes were carried out in darkness which required considerable training on the part of workers. They were taking steps to train the workers and improve equipment efficiency. The Chairman, IDPL stated that the percentage of rejections at surgical instruments plant had been very high but these were now coming down and were 18.9 per cent last year. He also stated that in surgical instruments they had to maintain high quality control and standards.

12.16. The Chairman, Heavy Engineering Corporation stated that in Heavy Machine Building Plant and Heavy Machine Tools plants the rejections were well under control but there was high incidence in Foundry Forge plant for which they were taking necessary steps by having proper quality control and workers motivation. The Chairman, HSL said that they had been able to bring down rejections of final roll steel considerably but at wheel and axle plant of Durgapur it was still a problem and a study of it was being made by the I.S.I. In a Note furnished after the evidence, the Ministry of Steel and Mines intimated that during the last five years rejections at the wheel plant ranged between 19 to 27 per cent and at the Axle Plant between 21 to 33.8 per cent.

12.17. The representatives of the Ministries admitted that the rejections had been high in the above plants but these were now coming down.

12.18. The Committee are glad to find that public sector undertakings are showing keen awareness of the need for standardisation and quality control. Whereas scope for improvement in these direction is always there, the Committee hope that the public sector undertakings would continue to devote unrelaxed attention to achieving a situation in which their trade marks or brand names become synonymous with high quality. The Committee also hope that some of the undertakings where the percentage of rejections is high will take immediate steps to improve standardisation and quality control.

CHAPTER XIII

COST CONTROL

A. Costing System

Bharat Heavy Electricals Ltd., Electronics Corporation of India Ltd., Heavy Electricals (I) Ltd., Hindustan Shipyard Ltd., etc. follow the system of "Job-Costing."

13.2. Process industries *e.g.* Fertilizer Corporation of India, Indian Drugs & Pharmaceuticals Ltd. (except surgical instruments Plant of I.D.P.L.), Indian Rare Earths Ltd., Newsprint and Paper Mills Ltd., Hindustan Photo Film Mfg. Co. Ltd., follow the "Process costing system."

13.3. Undertakings which manufacture standard products follow the "standard costing system". These undertakings are Hindustan Machine Tools Ltd., Hindustan Steel Ltd., Indian Telephone Industries Ltd., Modern Bakeries Ltd., Neyveli Lignite Corporation, etc.

13.4. The Mining and Allied Machinery Corpn. Ltd. have stated that they propose to introduce "Job costing" during the current year. No costing system is in vogue in the Central Fisheries Corporation, and Bharat Opthalmic Glass Co. In the Central Road Transport Corporation, sound costing system is still to be devised. In Heavy Engineering Corporation Ltd., the system of costing is stated to be "in a state of flux" with the progressive introduction of Job Cards for all production work, as a part of the incentive scheme.

13.5. Majority of the public undertakings including Cement Corporation of Indian; Heavy Electricals (I) Ltd., Heavy Engineering Corporation, Machine Tools Corporation Ltd., Mining and Allied Machinery Corporation, etc. have not undertaken "cost benefit Analysis."

13.6. The measures being taken by public undertakings for cost control include Budgetary Control, comparison of actual expenditure against norms, periodical meetings at various levels, preparation and Analysis of Cost Reports, etc. Some of the public undertakings have set up Committees for exercising cost control For example, Air India has set up a Cost Rationalisation Committee, Bharat Heavy Electricals has a "special Tasks Committee". and Indian Oil Corporation has formed "Economy Committees".

13.7. Some public undertakings as for example Heavy Electricals (I) Ltd., Bharat Heavy Electricals, Fertilizer Corporation of India, Central Corporation of India, introduced "suggestion schemes." Employess whose suggestions result in cost reduction are rewarded by the Cement Corporation of India and Heavy Electricals (I) Ltd. In the Instrumentation Ltd., Kota, employees are awarded "Directors Honours Flag". One of the creterion for an award of that flag is cost reduction.

13.8. In U.K., Ministries keep efficiency and costs of the nationalised industries under constant review, though this is essentially a function of the management. Under the guiding principles laid down in 1967, the National Board for Prices and Incomes is asked to study the costs and efficiency of the industries when they examine application for major price increases. While carrying out their efficiency studies, the Board mainly concentrates on a review of industries machinery for keeping down costs, including appropriate forecasting and decision-making techniques, manpower budgeting, extent of work study, information flow, scope for operational research, management control system and methods of investment appraisal, etc.

13.9. In addition, the Government departments directly concerned with the undertakings continue to develop, in consultation with the industries, indicators of performance, which provide regular and systematic information about industry's success in controlling its costs and increasing efficiency and economising in the use of manpower and resources.

B. Cost of Production

13.10. A statement showing the standard cost or D.P.R. cost and the actual cost of production in some of the major public undertakings (HSL, Hind. Photo Films, HEC, FCI) is given at Appendix VII. It will be seen therefrom that while Indian Drugs and Pharmaceutical Ltd. has achieved significant success in bringing down the cost of their production, the actual cost of production in the case of other undertakings has been considerably more than the standard or DPR cost in various plants. For instance, in Heavy Engineering Corporation, the cost of production of crushing and grinding equipment was Rs. 21,210 per m|tonne in 1971-72 as against the DPR cost of Rs. 4050 per m|tonne. This has been attributed to the following main reasons:—

(i) HSL plants—Lack of balancing facilities in Rourkela; gas shortage in Bhilai and industrial relation problems in Durgapur.

(ii) Hind. Photo Films Mfg. Co. Lot of technical problems resulting in scrap arising.

(iii) HEC plants—Complexity of equipments produced, increase in cost of materials, etc.

13.11. Regarding the steps taken towards cost reduction, some of the undertakings (HSL, HEC) stated in written replies that they have recently introduced systems of departmental budgetary control, management by objectives etc., others have got incentive schemes, suggestion box, awards etc.

13.12. During evidence, the Secretary, Ministry of Steel stated that various escalation factors *i.e.* raw materials, wage bill etc. were responsible for high cost of production in steel plants. As regards Photo Films Mfg. Co., the reasons given by the Special Secretary, Ministry of Industrial Development were high rate of consumption of indigenous raw materials and high rejections.

13.13. While the success of the Indian Drugs and Pharmaceuticals Ltd. in bringing down the cost of production is laudable, the Committee are not happy at the present trend of rising cost of production in various plants and its going wide off the mark from stipulations made in the Detailed Project Reports in certain undertakings. Management efficiency lies in reducing the cost of production and achieving optimum results with minimal use of resources.

They would like all the Boards to seriously address themselves to the task of keeping down costs by economising in the use of manpower and resources and having under constant review their forecasting and decision-making techniques, manpower budgeting, extent of work-study, scope for operational research, management control systems, methods of investment appraisal, inventory control.

13.14. The administrative Ministries should also keep a close watch over the costs of production at carious undertakings and take steps to develop indicators of performance which would provide them regular and systematic information about the undertakings success in controlling costs and increasing efficiency.

CHAPTER XIV

INVENTORY CONTROL

The total value of inventories in the public sector enterprises during the years 1967-68 to 1971-72 was as under:—

(Rs. crores)

Year	No. of Public Under-takings	Raw Materials stores & spares (Both for construction & production)	Works in progress	Finished Goods	Other Items	Total
1967-68 .	55	422	84	305	62	873
1968-69 .	61	735	111	182	66	1,094
1969-70 .	68	399	147	611	130	1,187
1970-71 .	78	479	191	691	132	1,493
1971-72 .	84	576	225	832	167	1,800

14.2. The following undertakings have achieved reduction in the level of their inventories viewed in terms of months consumption :

Undertaking	Inventory in terms of months' consumption				
	1967-68	1968-69	1969-70	1970-71	1971-72
1. Tiruchy Plant (BHEL) .	15·0	15·0	13·0	8·0	10·0
2. Electronics Corpn. Ltd. .	35·0	20·0	24·0	15·0	12·0
3. Fertilizer Corpn. of India Ltd. (Stores, spares & packing works) .	22·2	23·0	18·2	15·4	14·0
4. Heavy Electricals (I) Ltd. (Raw materials, components & Stores & spares but excluding WIP and Finished Goods)		22·0	26·0	19·0	12·0

Undertaking	Inventory in terms of months' Consumption				
	1967-68	1968-69	1969-70	1970-71	1971-72
5. Hindustan Anti-biotics Ltd. (Raw matrials)	5·1	3·3	3·3	3·5	3·7
6. Hindustan Steel (Stores &spares)	31·0	28·0	24·0	24·0	24·0
7. Indian Drugs & Pharmaceuticals Ltd. (Raw materials, stores, spares, loose tools etc. but excluding WIP and finished goods)	57·0	19·0	14·0	10·0	8·0
8. Indian Rare Earths Ltd.	8·0	13·0	11·0	8·0	7·0
9. Indian Telephone Industries	18·8	15·7	15·5	14·3	15·22
10. Instrumentation Ltd.	..	18·0	13·0	12·0	12·0
11. Lubrizol India Ltd.	..	3·0	4·0	4·0	5·0
12. Machine Tools Corpn. Ltd.	..	..	..	22·0	14·0
13. National Instruments Ltd.	126·0	111·0	73·0	51·0	31·0
14. Rehabilitation Industries Ltd.	9·0	8·5	6·8	8·0	5·0
15. Shipping Corpn. of India	0·5	0·7	0·6	0·7	Figure not recd.
16. Trivent Structurals	4·0	46·0	36·0	27·0	18·2
17. Bharat Heavy Plates & Vessels.	..	66·0	50·0	30·0	17·0

14.3. The level of inventory in terms of months consumption has, however, gone up in the case of the following public undertakings:—

	1967-68	1968-69	1969-70	1970-71	1971-72
1. Air India	56·4	43·2	33·6	36·0	60·0
2. Hyderabad Plant (BHEL)	6·5	7·9	9·2	17·5	18·0
3. Hindustan Cables	6·6	6·9	5·5	10·0	Information not recd.
4. Hindustan Shipyard	9·1	10·6	10·00	9·2	10·64
5. Mining & allied Machinery Corpn.Ltd.	28·0	44·0	29.0	31.0	32·0
6. National Coal Development Corporation Ltd. (Inventory relates to raw materials, stores & spares only)	18·4	18·8	18·8	19·6	20·5
7. National Mineral Deveploment Corpn Ltd.	15·60	17·52	21·60	21·60	24·0
8. Neyveli Lignite Corpn. Ltd	20·5	17·5	20·7	23·8	24·0
9. Tanneri and Footwear Corpn .Ltd (stores & spares only)	..	..	21·4	8·3	25·0

14.4. Many public undertakings including Air India, Bharat Heavy Plates & Vessels, Bharat Opthalmic Glass Co., Fertilizer & Chemicals Travancore Ltd., Heavy Electricals (I) Ltd., Hindustan Machine Tools Ltd., Hindustan Steel Ltd., Hindustan Shipyard Ltd.; Indian Oil Corporation, Indian Rare Earths Ltd., Indian Telephone Industries Ltd., Instrumentation Ltd., Madras Refineries Ltd., Mining and Allied Machinery Corporation have conducted "A B C Classification" of the inventory with a view to exercise selective control on items of high value.

14.5. Other steps being taken by Public Undertakings include fixation of norms of inventory, laying down, 'maxima', 'minima' and 're-order' levels, periodical review of fast moving, slow-moving and non-moving items, planned and prompt disposal of surplus, absolete/redundant stores, etc.

14.6. Some of the public undertakings, as for example, Air India and Hindustan Steel Ltd.. have computerised their inventory for effective control.

14.7. In a note furnished after the evidence, the Bureau of Public Enterprises have stated that Government have appreciated the importance of inventory management and appointed since 1967, 7 high level committees presided by the Director General, Bureau of Public Enterprises. These Committees had already completed their studies in respect of 17 undertakings and 6 were currently being studied. These studies had revealed the following main reasons for the high inventories:

(a) Large quantum of initial spares imported by the enterprises with the plant had little or nil wastage.

(b) Some of the modern tools available for proper inventory management had not been fully adopted and the purchase procedures had not been streamlined.

(c) There was tendency to over-provide imported spares due to the fear that foreign exchange in sufficient quantum may not be available in future.

(d) The procurement of the materials had been arranged on the basis of planned production whereas the actual production was lower than anticipated.

(e) In some of the organizations the production cycles were considerably longer and the modern techniques *viz.* PERT & CPM had not been adopted to reduce the same.

14.8. The following important recommendations were made by these committees for effective reduction in the inventories:—

(a) Each enterprise should have integrated materials management organization to be headed by a competent officer of proven integrity, who should be responsible to the Chief Executive.

(b) Realistic norms for the different categories of inventories should be fixed and the same should be periodically checked against the actuals to discover the areas needing attention.

(c) The stocks of stores and spares should be kept under two broad headings (i) Moving stores & spares; and (ii) Insurance/standby items. The inventories for moving stores/spares should be on the basis of past consumption and the anticipated increase in production. Inventory under insurance/standby items should be on the basis of recommendations of technical personnel and should be related to the equipments held.

(d) All items having regular consumption should be brought under automatic recoupment system by fixing minimum/maximum, recorder levels.

(e) Classified catalogues for the items stocked by the units should be prepared with a view to make it easier for the users as well as the stockists to identify the items and to avoid stocking of duplicate items under slightly different nomenclatures.

(f) All the items should be subjected to ABC analysis so that A-category items *i.e.* high consumption value items get proper attention at the senior levels.

(g) A list of approved suppliers should be maintained along with a statistical record regarding the performance of the suppliers so that unreliable suppliers are removed from the list.

(h) Surplus/obsolete items should be identified through regular reviews and their disposal arranged expeditiously.

(i) Evaluation Review Technique should be utilized for controlling and reducing the production cycle which will result in reduced work in progress.

(j) For appraisal and review of inventory levels, proper reporting system should be introduced for which purpose a number of formats have been suggested.

14.9. As a result of the studies and the discussions the Committee members had with the officers concerned in the public enterprises, sufficient consciousness has, it has been stated by the Bureau, been aroused in the undertakings regarding proper inventory management and the position has improved considerably as would be observed from the following figures:—

(Value in Rs.crores)

Year ending	Inventory expressed In no. of months production or sales turnover
31-3-68	6·7
31-3-69	6·0
31-3-70	5·9
31-3-71	5·8
31-3-72	5·5

14.10. The increasing pace of industrialisation in the country calls for a scientific control of inventory. The Committee find that while 17 public undertakings/plants had achieved significant success in bringing down the level of inventory in terms of months consumption, the inventory had gone up in the case of 9 public undertakings.

The Committee feel that the importance of inventory control and the scope it offers for rationalisation, have not been realised by a good number of public undertakings who continue to carry heavy inventories representing consumption levels of one year and more. The Committee feel that the stores organisation should receive special attention of the Management right from the inception so as to make sure that machines, equipment and spares are not ordered in excess of the requirements as has happened in several instances. It should not be too difficult to work out the minimum and the maximum levels for stores equipment in the light of experience available in the undertaking or in comparable organisations. In this connection,

the Committee note the initiative taken by the Bureau of Public Enterprises in reviewing inventory management in a number of undertakings and laying down broad guidelines. The Committee feel that if these guidelines are implemented in letter and spirit, it should be possible to effect a great deal of improvement. The Committee suggest that study should be made of slow-moving and non-moving stores in order to identify the factors which are responsible for such a situation to arise.

SUBHADRA JOSHI,
Chairman,
Committee on Public Undertakings.

NEW DELHI;
September 3, 1973.
Bhadra 12, 1895 (*S*).

APPENDIX I

Statement showing it in crease in the Quantum of Production over The Level Achieved in 1967-68

S. No.	Public Undertaking Project	Unit	Production achieved in 1967-68 or the year mentioned	Production acheived 1971-72	Percentage increase in five years
1	2	3	4	5	6
1.	**Bharat Heavy Electricals Limited**				
	Tiruchy Plant (BHEL)	Metric Tonnes	11,396	27,345	140%
2.	**Hardwar Plans of BHEL**				
	(*i*) Turbo Sets	MW	200 (two sets of 100 MW) in 1969-70	262	31%
	(*ii*) Hydro Sets	MW	30	78	160%
3.	**Bharat opthalmic Glass Ltd.**				
	(*i*)Blanks	Tonnes	1·5 (1968-69)	26·6	1673%
	(*ii*)Lenses	Lakh PCS	0. 31 (1969-70)	2. 16	696%
4.	**Cement Corporation of India**	Lakh tonnes	1·04	1·64	57%
5.	**Fertilizer & Chemicals Travancore Cochine Ltd.**	lakh tonnes	1·79	2·15	20%
6.	**Fertilizer Corporation of India Ltd. (All Units)**	Thousand MT Nitrogen	207	302	46%
7.	**Heavy Engineering Corporation Limited**				
	(*i*) Foundary forge Plant	Tonnes	9,003	20,954	132%
	(*ii*)Heavy Machine Bldgs Plant	Tonnes	14,611	30,462·0	114%
	(*iii*)Heavy Machine Tools Plant	Nos.	15	20	33%
8.	**Hindustan Machine Tools Ltd.**				
	(*i*) Machine Tools	Nos.	1,775	2,473	39%
	(*ii*) Watches	Thousand numbers	250	378	51%
9.	**Hindustan Photo Films Manufacturing Company**	Million Sq.Metres	0·9	3·3	266%

1	2	3	4	5	6
10.	Nyveli Lignite Corpn Ltd				
	(i) Lignite	Lakh tonnes	34·4	37·25	8%
	(ii) Power .	Million KW (Nett)	1,840	2,168	17%
11.	Indian Drugs and Pharmaceuticals Plant (Surgical Instrument Plant) .	Thousand Nos.	79	565	615%
12.	Hindustan Antibiotics Ltd.				
	(i) Penicillin G. Bulk	MMU	45	56	24%
	(ii) Penicillin V. Bulk . .	MMU	8	9·9	24%
13.	Hindustan Cables Ltd. (Plastic) wire & Cables)	Thousand CKM	27·8	33·7	21%
14.	Hindustan Antibiotics Ltd . .	Lakh Nos.	3·66 (1969-70)	6·78	85%
15.	Triveni Structurals Ltd. . . .	Tonnage	5,560	10,235	84%
16.	Oil & Natural Gas Commission				
	(i) Crude Oil . . .	Million Tonnes	2·82	4·01	42%
	(ii) Gas	Million Cubic Meters	232.9	399·2	72%
17.	National Mineral Development Corporation Limited				
	(i) Iron ore .	Lakh Tonnes	23·8	48·0	101%
	(ii) Diamonds . ..	Carats	7850	19722	151%
18.	National Newsprint and paper Mills Limited	Thousand Tonnes	31·3	40·0	30%
19.	Madras Refineries . .	Thousand MT	1613 (1969-70)	2192	35%
20.	Mining & Allied Machinery Corporation Limited .	Thousand Tonnes	5·0	11·9	138%
21.	Modern Bakeries Ltd. .	Lakhs of standard leaves	26·0	853·0	3180%
22.	National Coal Development Corporation Limited	Million Tonnes	11·84 (1968-69)	13·80	16%
23.	Indian Rare Earths Ltd. .	Thousand M.T.	55·5	172·9	211 %
24.	Lubrizol India Limited	Thousand MT	4.46 (1969-70)	8.62	93%
25.	Machine Tools Limited	Nos. Machines	8	65	712%
26.	Hindustan Teleprinters Ltd. .	Thousand Nos. (Main Machines)	3.50	4.78	36%
27.	Barauni Refinery of IOC .	Lakh M.T.	16·29	22·78	39%
28.	Gujarat Refinery of IOC . .	Lakh M.T.	19·23	36·42	90%
29.	Pyrites, Phosphates and Chemicals Limited	Thousand Tonnes	19·3 (1968-69)	34·20	77%
30.	Hindustan Steel Limited (Three Steel Plants)	Million Tonnes	3·44	3·47	1%

APPENDIX II

Statement showing targetted and actual production since 1967-68 in terms of quantity and value

Name of Public Undertaking	Years	Qty. / value	Target	Actual	% Shortfall in excess achivement of target	% increase decrease in production over the previous year	Main reasons shortfall in production.
1	2	3	4	5	6	7	8
I Bharat Heavy Electricals Limited.							
A. TIRUCHY PLANT	1967-68	Metric Tonnes	11,116	11,396	(+)2·5	..	(i) Large scale rejection of Seam less Tubes procur indigenously.
		Rs. in lakhs	1,064	1,081	(+)1·06	..	
	1968-69	,,	17,008	15,633	(—)8·1	(+)17	(ii) Scarcity or short supply of structural sections. Quality Sheet Steel and Piping billets.
			1,609	1,572	(—)2·3	(+)45	
	1969-70	,,	19,100	19,231	(+)0·6	(+)23	
			1,951	2,113	(+)8·3	(+)34	
	1970-71	,,	22,750	22,680	(—)0·3	(+)18	
			2,570	2,652	(+)3·1	(+)25	
	1971-72	,,	26,500	27,345	(+)3·1	(+)20	
			2,914	3,362	(+)15·4	(+)27	
B. HARDWAR PLANT (i) Electric Machines.	1967-68	Nos. (MW)	113(19·9MW)	46(4·2MW)	(—)59	45	(i) High % of rejected imports forgings & castings supplied by manufactuer.
	1968-69	,,	206(37·3)	177(25·90)	(—)14	516	
	1969-70	,,	253(86)	225(56·6)	(—)11	118	

	1970-71 1971-72	,,	250(87·725) 84(79·6MW)	226(60·238) 75(65·1MW)	(—)9 (—)10	6·4 8·1	(ii) Delays in receipt of Components and materials.
(ii) Turbo-sets	1969-70	Nos. sets X MW	2x100	2x100	Nil	Base year	
	1970-71	,,	2x100	1x100+64% of 1x100-164MW	(—)18	64	
	1971-72	,,	1x100 2x100 in WIP	3x100 in WIP—262 MW	(—) 12	60	
(iii) Hydro-sets	1970-71	,,	WIP on 2x30 MW sets	WIP on 2x30 MW sets—30MW	(—) 50	Base year	
	1971-72	,,	2x30 MW	17 sets (550 MW) in WIP—78 MW	(+) 30	160	
C. HYDERABAD PLANT (Heavy Power Equipment and Switgear Operations)	1967-68	Rs. lakhs	1,201	815	(—) 32	(+) 316.5	(i) Non-supply call items of cases and Foreigns & Raw Materials (ii) Partial strike and lock out for 40 days in 1970-71 . (iii) Productional terms of HPEI operation is met in CSN Hours.
	1968-69	,,	1,648	1,350	(—) 18	(+) 53.4	
	1969-70	,,	1,756	1,462	(—) 16	(+) 8.3	
	1970-71	,,	1,570	1,313	(—) 16	(+) 10.2	
	1971-72	,,	1,886	1,689	(—) 10	(+) 28.6	
(2) Bharat Heavy Plates & Vessels Ltd.	1971-72	Tonnes Rs. lakhs	2,500 227·00	2,476 187·98	(—) 9 (—)17	..	(i) Some nominal production was done in the years 1969-70 and 1970-71 to import training to the workers.
(3) Bharat Opthalmic Glass Ltd. (i) Blanks	1968-69		58·35 27·6	1·5 0·37	(—)97 (—)98	—	(i) Usual initial technical difficulties. (ii) Unsuitable industries relations low labour products.
	1969-70	Tonnes	11·2 3·69	3·1 0·63	(—)72% (—)82%	+100 ..	
	1970-71	Rs. lakhs ,,	32·5 6.62	16·0 3·23	(—)50% (—)36%	+430	

1	2	3	4	5	6	7	8
	1971-72	Tonnes Rs. lakhs	37·2 7·57	26·6 5·31	(—)28% (—)29%	+63	
(ii) Lenses	1969-70	Pcs Lakhs Rs. Lakhs	1·87 1·93	0·31 0·31	(—)83	—	
	1970-71	,,	2·59 3 0	1·16 0·95	(—)87	+270	
	1971-72	,,	2·44 2·05	2·16 1·86	(—)68 (—)9	—	
(4)CEMENT CORPORATION OF INDIA	1970-71	Tons. Lakhs Rs. Lakhs	0·90 114·13	1·047 138·09	—95 (+)21	+16	
	1971-72	,,	1·80 242·83	1·64 224·26	(—)9 (—)9	+36 +38	
(5)CENTRAL INLAND Water Transport.	1967-68 1968-69	,, ,,	— 293·72	93·62 164·82	— (—)78·20	—	Targets are as per Revised Estimates. Shortage of steel Plates.
	1979-70	,,	227·15	2198·57	(—)14·39		1970-71. Higher Production and freight adjustment
	1970-71	,,	353·65	278·95	(—)29·57		
	1971-72	,,	425·18	344·16	(—)23·54		
(6)COCHIN REFINERIES	1967-68	M.T.(Lakhs) Rs. Lakhs	21·79 3236·05	24·99 4149·22 (	(+)14 +)28		1968-69 The fall in freight rates has brought down the price 1969-70. Lower production and freigh tadjustment:
	1968-69	,,	25·16	24·67 3969·52	(—)2 (—)6·8	(—)·4%	
	1969-70	,,	25·10 3880·19	23·08 3775·43	(—)8 (—)3	(—)6·4)% (—)5·4	

	1970-71	,,	25·10	23·42	(—)6	(+)5·4	
			4074·77	4054·45	(—)0.5	(+)8·0	
(7)ELECTRONICS CORPORATION OF INDIA	1967-68	Rs. Lakhs	47·26	19·56	(—)59		1967-68 : Delay in shifiting form BARC Bombay to Hyderabads.
	1968-69	,,	104·33	76·38	(—)27		1968-69: Delay in design & availability of prototype model
	1969-70	,,	134·01	122·68	(—)8		
	1970-71	,,	218·02	203·80	(—)7		
	1971-72	,,	337·48	348·83	(+)3		
(8)FERTILIZERS AND CHEMICALS TRAVANCORE LIMITED.	1967-68	Lakh Tonnes(£)	1·79	1·79	—	—	
		Rs. Lakhs.	857·88	856·57			
	1968-69	,,	2·25	2·11	(—)6·3	(+)17.8	
		,,	1102 00	1034 25	(—)6·2	(+)20·7	
		,,	2.35	1·92	(—)18·3	(—)9	
	1969-70	,,	1146.10	933·63	(—)18·6	(—)9	
	1970-71	,,	2·24	1·99	(—)11·2	(—)4	
			1106·50	976·86	(—)11·8	(—)4·6	
	1971-72	,,	2·49	2·15	(—)13·7	(+)8	
			1231·40	1061·26	(—)13·9	(+)8·6	
			218				
(9)FERTILIZER CORPORATION OF INDIA	1967-68	000/Nitrogen		207		—	
				3813	(—)5·1		**Reasons**
		Rs. Lakhs			(—)5.5		(i) Non-availability of power Nangal and power interruption.
				276			
(all units)			292	4745			
FN value of Production represents cost of Production	1968-69	,,	316	314	(—)07	(+)14	(ii) Non-availability of raw materials—wagons difficulty Rly strike :
	1969-70			6774			
	1970-71	,,	307	292	(—)4·9	(—)7	
				6989			
	1971-72	,,	328	302	(—)8·0	(+)3	(iii) Accident at Sindri Trombay .
				7670			
					..		(iv) Abnormal break down at Sindri aging of Plants.

(£)Total of main products *viz*. Amm Sulphate Amm phosphate Amm Chloride and single superphosphate
($) includes industrial nitrogen also...

2		3	4	5	6	7	8
(10) HEAVY ELECTRICALS	1967-68	Rs. lakhs	2427	2300	—5·2	..	
	1968-69	„	3425	3400	—0·7	+48%	
	1969-70	„	3613	2550	—29·4	+25%	
	1970-71	„	3500	2890	17·4	+15%	
	1971-72	„	4200	4478	+6·6	+55%	
(11) HEAVY ENGR. CORPN. I. Foundry Forge Plant.	1967-68	Tonnes	15805	9003·13	—43%		
		Rs. lakhs	..	179·60			
	1968-69	„	21650 ..	16642·85 319·72	—23%	+75% +78%	
	1969-70	„	45384 ..	11695· 438·04	—74%	—29% +37%	
	1970-71	„	26173 ..	1602 723·84	—38%	+37% +65%	
	1971-72	„	21150 ..	20954·53 929·85	—0·9%	+31% +28%	
II Heavy Machine Bldg. Plant	1967-68	„	12605 ..	14611·0 556·93	—15%		
	1968-69	„	30000 ..	23852·5 1066·79	—20%	+63% +92%	
	1969-70	„	27000 ..	24462 1418·48	—9%	+3% +33%	
	1970-71	„	32,500 ..	23108·8 2052·76	—29%	—6% +45%	

Main reasons for shortfall:

(*i*) Lack of order in the initial years for the type of equipment for which plants were set up.

(*ii*) Delay in construction of FF Plant.

(*iii*) Production of wide ranged items including development and import substitution items taken of for manufacture for the first time.

(*iv*) Technological production, management deficiencies.

(*v*) Initial targets were very optimistic.

(*vi*) Frequent breakdown of furnances and Presses

(*vii*) Difficulty in regular and adequate supply of raw material.

(*viii*) Unsatisfactory supply of castings and forgings order on trade.

III Heavy Machine Tools Plant	1967-68	Nos	20	15	—25	—	1967-68
		Rs.Lakhs		566	—		Recession in Enginering industries.
	1968-69	,,	33	8	—75	—46	
			—	27·06		95	
	1969-70	,,	41	27	—34	+237	
			—	82·70		+204	
	1970-71	,,	31	28	—9	—4	
			—	105·53		+28	
	1971-72	,,	40	20	—50	—28	
			—	126·6		+20	
Hindustan Machine Tools. I.Machine Tools	1967-68	,,	2113	1775	—11·2	—	
			1190	845	—29	31	
	1968-69	,,	1769	1743	—1·4	+1·5	
			1115	1099	—1·5	+30	
	1969-70	,,	2514	2899	—12·5	+26	
			1535	1276	—16·7	+16	
	1970-71	,,	2395	2247	—6.1	+2.2	
		,,	1632	1634	—0·1	+28	
	1971-72	,,	2646	2473	—6·5	+10	

1	2	3	4	5	6	7	8
II.WATCHES	1967-68	Nos. Thousands	2134	2069	—3	+26	
			240	250	—4·1		
			262	264	—0·7		
	1968-69	Rs. Lakhs.	360	300	—16·6		
			386	327	—15·2		
	1969-70	”	360	330	—8.3		
			386	366	—5.1		
	1970-71	”	360	345	—4·1		
			419	403	—3·8		
	1971-72	”	375	378	—0·8		
			460	460	—		
III.DIE CASTING	1971-72	Rs.Lakhs	51	53	+4		
IV. TRACTORS	1971-72	Rs. lakhs	288	289	+0.3		
	1971-72	”	34000	30462·0	—10%	+32 %	
			..	2824·63		+38%	
(13) HINDUSTAN PHOTO FILM MANUFACTURING CO.	1967-68	Million Sq. Meters	1·282	0·915	—28·62		
		Rs. lakhs.	196-·315	142·25	—27·9		
	1968-69	”	2·000	1·227	—38·65	+33·6	
			393·56	190·94	—51·4	+34·2	
	1969-70	”	2·712	2·158	—20·43	+75·8	
			504·41	374·72	—25·7	+96·2	
	1970-71	”	3·0705	2·4763	—19·3	+14·7	
			516·55	414·67	—19·35	+6·7	

	1971-72	„	3·23619 488·24	3·31189 587·43	+2·2 +14·2	+33·8 +41·5	
)(14 HINDUSTAN ANTIBIOTICS LIMITED	1967-68	Qty. MMU Rs. lakhs	49·98 249·90	45·16 225·80	—9·5 —9·6	..	Value of Pencillin G. and V Blocks Streptomycin, and Vials has been indicated Value of other minor items has not been included.
1. Pencillin 'G' Bulk.	1968-69	„	46·90 234·50	47·15 235·75	0·53 +0·53	+4·40 +4·40	
	1969-70	„	55·29 276·45	51·04 255·20	—7·69 —7·69	+8·25 +8·25	
	1970-71	„	50·98 254·90	50·69 253·45	—0·57 —0·57	—0·69 0·6	
	1971-72	„	52·92 264·60	56·35 281·75	+6·48 +6·48	+11·17 +11·16	
IV. *Vials*	1967-68	Nos. lakhs. value lakhs.	537·95 355·05	532·17 351·23	—1·98 ..	— ..	
	1968-69	„	420·33 277·42	406·19 268·08	—3·37 3·37	-23·67 —23·67	
	1969-70	„	528·99 345·83	522·91 345·12	—0·21 —0·21	—28·73 —28·73	
	1970-71	„	497·82 328·57	490·76 317·20	—3·43 —3·3	—8·07 —8·07	
	1971-72		515·76 340·40	520·31 343·40	+0·88 +0·88	+8·23 +8·23	
(15) HINDUSTAN CABLES	1967-68	CKM Rs. lakhs.	8·0 750	6·43 621	—19·6 17·2	.. ..	
I. DRY CORE	1968-69	„	9·50 890	7·76 639	—18·3 —22·2	—20·6 +3	

1	2	3	4	5	6	7	8
	1969-70	,,	9·50 890	5·35 559	—43·7 —37·2	—31 —12·5	
	1970-71	,,	9·50 893	5·15 621	—45·8 —5·7	—3·7 +11	
	1971-72	,,	9·50 930	3·89 459	—59·1 —54·0	—24·4 —26	
II. Coaxial	1967-68	TKM	2800	2318	—17·2		
		Rs. lakhs	334	258	—22·8	..	
	1968-69	,,	3600 300	1796 133	—50·0 —55·7	—22·5 —48	
	1969-70	,,	3700 335	1611 117	—56·5 —65·1	—10·2 —12	
	1970-71	,,	3700 274	9·2 88	—73·7 —68·0	—39 —25	
	1971-72	,,	2590 180	1143 1000	—54·3 —44·4	+17·5 +13·6	
III Plastic	1967-68	CKM	50000	27888	—44·2	—	
		Rs. in lakhs	30	31	—3·3		
	1968-69	,,	35	40331 40	.. +14·3	+44 +29	
	1969-70	,,	50000 40	40838 35	—18·3 —12·5	+1·2 —12·5	

	1970-71	”	60000 67	26310 26	—75 —61·2	—35 —25·7	
	1971-72	”	48000 36	33762 34	—29·6 — 5·6	+28 +30·7	
(16) HINDUSTAN HOUSING FACTORY LIMITED .	1967-68	Rs. lakhs	180·00	180·01	+Negligible	..	1971-72 variation in 1971-72 in the production of PC products was due to concellation of orders by Rajasthan Electricity Board.
	1968-69	”	190·00	193·13	+1·6	+7	
	1969-70	”	194·00	198·47	+2·3	+2·7	
	1970-71	”	195·00	200·06	+2·5	+0·8	
	1971-72	”	54·00	237·04	—6·6	+18·5	
(17) HINDUSTAN LATEX LTD. (In Three shifts) .	1969-70	Nos.(Nirodh) value Ex-Factory Rs. lakhs	666.500 88·24	366.368 48·51	—45 —45	..	
	1970-71	” ”	695.000 88·47	547.687 69·72	—21 —21	+49 +43	
	1971-72	”	710·000 89·85	678.440 80·12	—4 —10·8	+23 +14	
(18) HINDUSTAN SALTS. LTD.	1967-68	Lakh tons	0·73	0·74	+2	Nil	
	1968-69	”	0·95	1·01	+6	+35	
	1969-70	”	1·20	1·16	—3	+14	
	1970-71	”	1·25	0·74	—41	—36	

1	2	3	4	5	6	7	8
(19) HINDUSTAN STEEL LTD.							
I. Bhilai.	1967-68	Thousand tonnes Rs. million	2500	1785	—29		(i) Quantities idicated are in terms of Steel ingots only.
	1968-69	”	1900	1735	—9	—2·8	(i) Percentages rebate to original and not revised targets of productions.
	1969-70	”	2180	1859	—15	+7	
	1970-71	”	2250	1940	—14	+4	
	1971-72	”	2200	1953	—11	+0·6	
II. Durgapur	1967-68	”	1300	738	—43	..	
	1968-69	”	1100	823	—25		
	1969-70	”	1100	818	—26	..	
	1970-71	”	1100	634	—42	..	
	1971-72	”	1150	700	—39	..	
III. Rourkela	1967-68	”	1200	924	—33		
	1968-69	”	200	162	—3		
	1969-70	”	1400	1104	—21		
	1970-71	”	1500	1038	—31		
	1971-72	”	1400	823	—41	..	

THREE STEEL PLANTS (BDD)	1967-68	Thousand tonnes.	5000	3447	—31		
	1968-69	,,	4200	3720	—11		
	1969-70	,,	4680	3780	—19		
	1970-71	,,	4850	3612	—26		
	1971-72	,,	4750	3476	—27		
IV. Alloy Steel Plant . .	1967-68	,,	32·8	13·8	—58		
	1968-69	,,	68·0	39·8	—41		
	1969-70	,,	67·2	65·6	—2		
	1970-71	,,	90·5	50·6	—44		
	1971-72	,,	90·7	56·2	—38		
(20) HINDUSTAN SHIPYARD LTD.	1967-68	Nos.	3	3	Nil	..	1968-69
		Rs. lakhs	802·03	667·28	—16·80	..	(i) Undue delay in receipt of ship construction material.
	1968-69	,,	3 810·90	2 690·09	—33 —14·90	—33 +3	
	1969-70	,,	3 832·30	2 680·69	—33 —18·22	—1	(ii) Cranage facilities and other balancing equipments envisaged in the Development programme could not be installed.
	1970-71	,,	3 918·14	+21(Launch) 828·30	— -9·79	.. +21	
	1971-72	,,	3 1669·02	3 874·37	Nil —18·21	.. +5	(iii) 56 days strike in 1967-68 and 27 days strike in 1968-69.

1969-70

Shortage of Steel etc.

1970-71

Delay in receipt of Some Key equipments.

1971-72 (i) Directing of some manpower for ship repair work, (ii) Non-receipt of material (iii) late receipt of Refrigerating machinery, Cargo blocks, life boats, etc.

1	2	3	4	5	6	7	8
(21) HINDUSTAN TELE-PRINTERS LTD.	1967-68	Nos. main Machines.	3500	3504	—	+30	(i) Shortfalls in 1970-71 were due to labour unrest in the factory.
	1968-69	,,	5000	5010	—0·2	+43	Note : Targets for Main Machines are fixed in form of quantity only)
	1969-70	,,	5500	5310	—3·4	+6	
	1970-71	,,	5500	4911	—10·7	—7·5	
	1971-72	,,	5500	4779	—12·9	—2·7	
(22) HINDUSTAN ZINC LTD.	1967-68	Rs. Lakhs	—	437·66	—	..	
	1968-69	,,	—	745·76	—	+70	
	1969-70	,,	—	810·16	—	+9	
	1970-71	,,	—	905·45	—	+11	
	1971-72	,,	—	1045·16	—	+15	
(23) INDIAN DRUGS & PHAR-MACEUTICALS LTD.							
I. *Antibiotics Plant.*							
	1968-69	Rs. lakhs	—	43·23			(i) Antibiotics Plant's problems studied by Soviet Experts in 1969. They pointed out a no. of deficiencies in the equipment and system. (ii) Non-availability of standard quality of raw-materials. (iii) Unreliability of power supply.
	1969-70	,,	—	229·65			
	1970-71	,,	—	372·50			
	1971-72	,,	—	595·74			

II *Pencillin V Bulk*. .	1967-68	MMU	9·13	8·01	—12·27	
		Rs. lakhs.	73·04	64·88	—12·27	
	1968-69	,,	10·63 85·04	8·63 69·04	—18·82 —18·8	+7·74 7·74
	1969-70	,,	9·38 75·04	9·30 74·40	—0·86 —0·86	+7·76 +7·76
	1970-71	,,	7·85 62·80	7·53 60·24	—4·08 —4·08	—19·03 —19·03
	1971-72	,,	10·57 84·56	9·97 79·76	—5·68 —5·67	+32·40 +32·00
III. *Streptomycin Sulphate* .	1967-68	Kgs.	66027	66393	+0·55	—
		Value Rs. lakhs.	194·70	195·86	+0·55	
	1968-69	,,	67005 197·66	70253 207·25	+4·85 +4·85	+5·81 +5·81
	1969-70	,,	80007 236·00	83138 245·26	+3·91 +3·92	+18·34 +18·34
	1970-71	,,	62578 184·60	60961 179·8	—2·58 —2·58	—26·67 —26·67
	1971-72	,,	65741 193·93	62037 183·01	—5·64	+1·76 +1·76
IV. *Synthetic Drugs Plant*	1967-68	Rs. lakhs	237·87	15·58	—92	—
	1968-69	,,	274·43	172·06	—37	+1046
	1969-70	,,	421·79	221·72	—47	+28
	1970-71	,,	650·86	427·17	—34	+93

1	2	3	4	5	6	7	8
	1971-72	Rs. lakhs	982·24	745·75	—24	+74	
Surgical Instruments Plant .	1967-68	Nos.	135117	79195	—41	..	(i) problem of finding a market for products
		Rs. lakhs	15·30	10·74	39·8		
	1968-69	„	208837 20·88	180663 17·32	—13 —17	+127 +61	(ii) Capacity imbalances due to changes in product mix.
	1969-70	„	237300 23·73	169230 15·57	—23 —34	—6 —10	
	1970-71	„	512012 51·17	423213 39·30	—17 —23	+141 +152	
	1971-72	„	752947 75·29	565118 45·79	—24 —39	+98 +16	
(24) INDIAN OIL CORPN. LTD. I. Gauhati	1967-68	MT	7,50,000	8,11,718	+8·2		1970-71:—(i) Unsteady and inadequate power supply from Assam State Electricity Board when the Refinery Turbo sets were under overhaul.
		Rs. lakhs	1,08,74	1140·85	—5·4		
	1968-69	„	8,00,000 1139·63	8,02,266 1112·41	+0·3 —2·5	—1 —2·4	
	1969-70	„	7,57,072 1033·24	7,64,595 1033·24	+1·0 Nil	4·6 —7	(ii) Product upliftment difficulties Ex-silliguri.
	1970-71	„	7,09,463 949·77	6,85,750 931·50	—3·3 —1·9	—10·3 —9·8	
	1971-72	„	8,02,300 1147·54	7,96,029 1145·63	—0·8 —01	+16·1 +23	

II. *Barauni*	1967-68	M.T. Rs. Lakhs	16,00,000 2298·97	16,29,625 2341·88	+1·9 +1·9	—
	1968-69	,,	17,00,000 2324·03	17,67,129 2427·98	+3·9 +4·5	+8 +3
	1969-70	,,	20,98,098 2802·36	20,87,894 2899·41	(—)0·5 +3·5	+18 +19
	1970-71	,,	21,75,433 3044·98	21,91,079 3138·43	+0·7 +3·1	+5 +8
	1971-72	,,	22,00,000 3418·78	22,78,582 3520·65	+3·6 +3·0	+4 +12
III. *Gujarat*	1967-68	,,	18,00,000 25,26,89	19,23,423 2727·78	+6·9 +6·9	
	1968-69	,,	27,00,000 3822.45	29,58,032 4038.48	+7.2 +4.0	+53 +48
	1969-70	,,	34,45,681 4451.47	33,97,942 4464.09	—1.4 +0.3	+14 +10.5
	1970-71	,,	34,75,704 4533.86	34,63,004 4474.98	—0.4 —1.3	+1.9 +0.2
	1971-72	,,	36,77,000 5087·99	36,42,665 5209·75	—1.0 +2·4	+5 +16
(25) INDIAN RARE EARTHS LTD.	1968-67	MT Rs. Lakhs	50870 177·97	55533 195·62	+9 +9	..
	1968-69	,,	69950 225·43	62386 203·08	— —	+12 +3
	1969-70	,,	61945 181·21	56144 170·74	—9 —5	—10 —18
	1970-71	,,	137380 288·69	100694 230·34	—26 —20	+79 +34

1	2	3	4	5	6	7	8
	1971-72	M.T. Rs. Lakhs	182714 345·18	172951 329·73	—5 —5	+71 +43	
(26) INDIAN TELEPHONE INDUSTRIES	1967-68	,,	—	1983	—	15·07	There were different reasons in different years in different divisions of ITI. Some of the common reasons were:— (i) delays in obtaining import licences. (ii) difficult steel supply situation (iii) non-availability of foreign exchange (iv) delay in obtaining imported equipment. (v) Slackening in labour efficiency.
	1968-69	,,	—	2110·40	—	6·38	
	1969-70	,,	—	2111·75	—	0·06	
	1970-71	,,	—	2680·74	—	26·94	
	1971-72	,,	—	3226·22	—	20·72	
(27) INSTRUMENTATION LTD.	1968-69	Rs. lakhs	89·49	44·40	—50	—	
	1969-70	,,	200·00	203·60	1·8	+361	
	1970-71	,,	340·00	357·00	+5	+75	
	1971-72	,,	430·00	438·61	+2	+24	
(28) LUBRIZON INDIA LTD.	1969-70	M.T.	4500	4461	—0·8	—	
	1970-71	,,	5400	6327	+17	+41	
	1971-72	,,	7220	8622	(+)19	+36	
(29) MACHINES TOOLS CORPN.OF INDIA LIMITED.	1970-71	Nos. machine Rs. lakhs	no targets fixed	8 29·03	—	—	Production started only the middle of 1970-71.
	1971-72	,,	—	65	—	+712	
				122·82	—	+327	
(30) MADRAS REFINERIES LTD.	1969-70	M.T. *Thousands*	1691·6	1613·3	—4·6	—	1969-70 : (i) Initial toothing troubles &

		Rs. lakhs	3158·44	2898·61	8·2		various processing units (2) In adequate crude receipts due poor jetty facilities.
	1970-71	,,	1886·8	1838.3	—2·6	+13	
			4653·65	4383·21	—5·8	+51	
	1971-72	,,	2131·2	212·5	+2·9	+19	1970-71: Poor crude receipts.
			5386·02	5552·78	+3·1	+26	
(31) MANGANESE ORE (I) LTD.	1967-68	*Lakhs tonnes*	3·97	4·39	+10	—	(2) Lower tube production as a result of up lifting difficulties by IOC.
		Rs. lakhs	648·90	476·09	—26		
	1968-69	,,	3·69	3·22	—26	—26	
			510·64	375·46	—26	—21	
	1969-70	,,	2·20	2 65	+20	—17	
			259·03	331·81	+27	—11	
	1970-71		3·43	3·39	—1	+28	
			374·91	3·45	—8		
	1971-72	,,	3·83	3.54	—8	+4	
			452·32	A/cs under finalisation —	—	—	
(32) MINING AND ALLIED MACHINERY CORPORATION LTD.	1967-68	*Tonnes*	5510	5076.1	—7·8	—	(i) Secretary of Steel, Bearings & other critical components.
		Rs. lakhs		225·61			
	1968-69	,,	6000	4098·7	—31	—19·25	(ii) Non-availability of design at night time.
				158·35		—30	(iii) Labour unrest.

1	2	3	4	5	6	7	8
	1969-70	”	8000	5764·4	—28	+40·60	(iv) Absence of job knowledge for sophisticated product not included in BPR.
				203·93		+79	
	1970-71	”	10,000	7742	—22	+24·90	(v) Lack of right type of orders.
				487·90		+71	
	1971-72	”	13,000	11,980·7	—7·7	+92·23	(vi) Lack of expertise for the plant & machinery.
				1020·01		+109	
							(vii) Machine break downs.
(33) MODERN BAKERIES (I) LTD. .	1967-68	Lacks of std. leaves of 400 Grm. each	—	26·06			
		Rs. lakhs.		14·98			
	1968-69	”	52·200	251·69	—0·1	—	
				161·78			
	1969-70	”	352·00	347·72	—1·2	+38	Since Bread is a perishable commodity targets are fixed for Sale keeping a margin of 1% between production and sale.
				239·16		+48	
	1970-71	”	590·00	585·41	—0·8	+68	
				402·17		+40	
	1971-72	”	830·00	853·48	+2·83	+45	
				586·76		+45	

(34) NATIONAL BUILDING CONSTRUCTION CORPN. LIMITED	1967-68	Rs. lakhs	—	256·27	Targets were fixed for M.B. Plant only and not for total production.	—	
	1968-69	,,	—	301·83		+17	
	1969-70	,,	—	251·40		+19	
	1970-71	,,	—	331·51		+31	
	1971-72	,,	—	520·80		+57	
(35) NATIONAL COAL DEVELOPMENT CORPN.	1968-69	Million Tonnes	10·96	11·84	+8·03	—	(i) Actual production had to be restricted to the level of demand for coal & availability of railway wagons.
		Rs. Lakhs	4029·8	3908·2	—3		
	1969-70	,,	14·53	13·45	—8·07	+13	
			4831·9	4435·3	—7	+13	
	1970-71	,,	14·02	13·28	—5·28	—1	
			4582·4	4346·5	—5	+2	
	1971-72	,,	14·80	13·80	—6·76	+4	
			4811·8	4476·5	—6	+3	
(36) NATIONAL INSTRUMENTS LTD.	1967-68	Rs. lakhs.	56·24	51·84	—7·8	—39·75	1968-69 : Highly disturbed industrial relations.
	1968-69	,,	74·15	39·73	—46·4	—23·36	
	1969-70	,,	55·22	41·41	—25	+4·23	
	1970-71	,,	74·53	65·22	—12	+57·50	—
	1971-72	,,	100·26	107·77	+7	+65·24	

1	2	3	4	5	6	7	8
(37) NATIONAL MINERAL DEVELOPMENT CORPN. LTD.							
I. *Ironore* . .	1967-68	Lakhs tonnes	24-20	23·88	—1·3	+26·5	
	1968-69	,,	37-39	39·87	+6·6	+66·9	
	1969-70	,,	50·54	41·92	—17	+5·1	
	1970-71	,,	50·14	49·07	—15	+17·1	
	1971-72	,,	56·30	48·04	—14	—2·1	
II *Diamonds* .	1967-68	Carats	..	78·50	..	..	
	1968-69	,,	9,000	7,983	—11	+1.7	
	1969-70	,,	14,000	15,472	+10·5	+93·8	
	1970-71	,,	20,000	19,030	—5	+22·9	
	1971-72	,,	19,000	19,722	+3	+3·6	
(38) NATIONAL NEWS-PRINT & PAPER MILLS LTD. .	1967-68	Tonnes Rs. Lakhs	31,000 326·05	31,308 329·14	+0·99	..	Higher production was possible in 1969-70 by the use of 9000 tonnes of imported pulp.
	1968-69	,,	30,560 335·73	30,562 335·70	..	—2·38 +1·99	
	1969-70	,,	38,000 418·00	39,275 433·58	+3·35	—28·51 +29·15	

	1970-71	Tonnes Rs. lakhs	37,000 145·40	37,270 419.92	+0·75	—5·10 —3·22	
	1971-72	,,	39,000	40,040	+2·67	+7·43	
			492·49	506·13		+20·53	
(39) NEYVELI LIGNITE CORPN. LTD.							
I. *Lignite*	1967-68	Lakh tonnes Rs. Lakhs (Ex-factory value)	33·9 775·00	34·4 750·91	+1·5 —0·66		1968-69 & 1969-70 — (i) low hourly rate of over from Bucky Wheel excavators (ii Heavy rains (iii) labour problems. 1970-71; (i Breakdown of Bucketwheel excavators (ii) Heavy rain (iii) Labour problems.
	1968-69	,,	45·0 809·73	39·83 835·55	—11·5 +3·19	+15·8 +11·2	
	1969-70	,,	47·76 915·22	42·81 894·85	—10·4 —2·2	+7·4 +7	
	1970-71	,,	35·0 937·76	33·91 968·61	—3 +3·3	—20·7 +8·2	
	1971-72	,,	36·0 987·31	37·35 1033·45	+3·5 +4·7	+9·8 +6·7	
II. *Power*	1967-68	Million KWhrs,Nett Rs. lakh	1751 910·52	1840 956·97	+5·1 +5·1	..	
	1968-69	,,	2168 1279·12	20·70 1201·84	—4·52 —6·03	+12·5 +25·5	
	1969-70	,,	2400 1406·40	2242 1322·75	—6·6 —5·95	+6·3 +10	
	1970-71	,,	1880 1109·02	1801 1057·41	—4·20 —4·67	—19 —20	
	1971-72	,,	2115 1247·85	2168 1279·12	+2·5 +2·5	+20 +21	

1	2	3	4	5	6	7	8
III *Urea*	1967-68	Tonnes	80241	71414	—11·0	..	
		Rs. Lakh	600·65	561·50	—6·5		
	1968-69	,,	9000 695·01	89924 705·37	Negligible	+25·9 +25·6	
	1969-70	,,	100000 750·00	88166 686·30	—11·8 —8·53	—1·9 —2·7	
	1970-71	,,	75000 568·50	68588 520·77	—8·55 —8·45	—22 —24	
	1971-72	,,	50000 370·00	43079 321·24	—13·8 —13·2	—22 —38	
IV. *Loco* . .	1967-68	,,	96368 154·19	96711 160·85	+0·36 +4·5	..	
	1968-69	,,	180000 355·00	130753 250·48	—27·3 —20·6	+35 +5·6	
	1969-70	,,	192000 346·00	136233 274·64	—29 —20·5	+4·2 +9·6	
	1970-71	,,	90000 220·20	72328 195·14	—19·6 —11·4	—46 —29	
	1971-72	,,	72000 198·72	72911 201·23	+1·27 +1·0	+0·7 +3	

(40) OIL AND NATURAL GAS COMMISSION							
I. *Crude Oil*. . . .	1967-68	Million Tonnes	2·83	2·82	—0·3	..	1969-70 : (i) frequent fluctuation in the demand of Gujarat Refinery (ii) less off-take of the Lakwa. Crude on account of the limited capacity of the pipeline of Oil India Ltd., (iii) stoppage of production from the Western field in September 1969 due to communal riots for some time.
	1968-69	„	3·05	3·08	+0·98	+9·2	
	1969-70	„	3·68 (Original) 3·54 (Revised)	3·64	—1	+18·2	
	1970-71	„	3·61	3·63	+0·5	—0·3	
	1971-72	„	3·88	4·01	+3	+10·5	
II. Gas	1967-68	Million Cubic meters.	No target fixed	232.94	No target fixed.	—	
	1968-69	„	„	330·15	„	41·7	
	1969-70	„	„	333·10	„	+0·9	
	1070-71	„	„	332·55	„	—0·2	
	1971-72	„	„	399·21	„	(+) 20·0	
(41) PYRITES, PHOSPHATES AND CHEMICALS LTD.	1968-69	Tonnes (Pyrite)	36,000	19,310	—46·36	—	Reasons for shortfall was reduction in the off-take by Sulphuric Acid Plant at Sindri.
		Rs. Lakhs	72·00	46·32	—35	—	
	1969-70	„	70,000 156·80	40,976 74·30	—41·46 —62·62	+112 +60	
	1970-71	„	36,688 82·18	34,843 78·14	—5 —5	—15 +5	
	1971-72	„	45,000	34,204	—24	—2	
			90·00	67·06	—25·49	—14	

1	2	3	4	5	6	7	8
(42) REHABILITATION INDUSTRIES CORPORATION Ltd. . . .	1967-68	Rs. Lakhs		7848		..	(i) Targets were fixed for individual units and Factories. (2) Figs of Actual product represent sale value of production.
	1968-79	,,		91·03			
	1969-70	,,	..	73·71			
	1970-71	,,	—	67·76			
	1971-72	,,		84·26			
(43) SAMBHAR SALTS LTD. (Subsidiary Co.) . .	1967-68	Lakh tonnes	2·02	2·12	+5	—	
	1968-69	,,	0·90	0·73	—19	—65	
	1969-70	,,	1·75	2·42	+39	+231	
	1970-71	,,	2·05	1·95	—4	—19	
(44) STATE FARM CORPN. OF INDIA LTD. . .	1969-70	Quintals	2·35	2·16	—8·09	..	1970·71 : Labour strike at the time of Rabi Sowing and inadequate irrigation facilities.
		Rs. lakhs	141·72	144·00	+1·6		
	1970-71		2·24 176·8(	1·23 139·95	—45·08 —20·8	—43 —2·8	
(45) THE TANNERY AND FOOTWEAR CORNP. OF INDIA LIMITED	1969-70	Rs. lakhs	116·50	79·75	—31·5	..	(i) Lack of good sales organisation. (ii) Non-availability of Raw Hides at right time.
	1970-71	,,	265·27	193·45	—27	+142	
	1971-72	,,	216·77	182.85	—11	—5	(iii) Non-availability of leather cuttings. (iv) frequent breakdown. (v) Inadequate working capital

(46) TRIVENI STRUCTURALS LTD.	1969-70	Tonnage	10800	5560	48	—
		Rs. lakhs	123.00	57·05	—53	
	1970-71	,,	9000	8908	—1	60
			156.00	131·43	—15	+123
	1971-72	,,	12000	10235	—14	+14
			232·08	202·75	—12	+54
(47) URANIUM CORPORATION OF INDIA LTD	1969-68	Rs. Lakhs	—	180·84	—	—
	1969-70	,,	-	341·12	—	+80
	1970-71	,,	—	361·93	—	+6
	1971-72	,,	—	370·42	—	+5

APPENDIX III

Sales Turnover of Manufacturing concerns

S. No.	Name of the Undertaking	1971-72 Sales Turnover (gross) (Rs. in lakhs)	Sales Turnover (gross) as percentage of capital employed	Previous Sales Turnover (gross) (Rs. in lakhs)	Year Sales Turnover (gross) as percentage of capital employed
1	2	3	4	5	6
1	Indian Oil Corporation Ltd	86513.0	496·1	72361·7	423·0
2	Hindustan Housing Factory Ltd.	220·3	205·3	187·0	181·6
3	Cochin Refineries Ltd.	4059·5	173·9	3741·9	145·3
4	Bharat Electronics Ltd.	3363·6	107·3	2634·7	109·4
5	Garden Reach Workshop Ltd.	1185·3	71·9	678·5	62·4
6	Indian Telephone Industries	3350·5	113·2	2594·4	122·5
7	Bharat Earth Movers Ltd.	3438·2	92·2	2654·3	92·8
8	Hindustan Insecticides Ltd.	396·2	116·9	290·0	99·5
9	Hindustan Cables Ltd.	659·8	62·8	753·9	68·1
10	Hindustan Teleprinters Ltd.	339·2	71·3	353·3	81·6
11	Hindustan Antibiotics Ltd.	801·2	106·1	682·7	82·4
12	Hindustan Shipyard Ltd.	1045·0	72·6	637·2	71·3
13	National Mineral Dev. Corpn. Ltd.	1565·6	44·3	3389·4	104·8
14	Tungabhadra Steel Products Ltd.	74·4	37·0	24·4	12·7
15	Fertilizer and Chemicals Travancore Ltd.	3423·0	111·6	3170·1	127·8
16	Goa Shipyard Ltd.	103·4	78·4	80·4	72·1
17	Indian Rare Earths Ltd.	317·1	66·9	226·4	51·6
18	Sambhar Salts Ltd.	60·6	50·6	29·8	28·5
19	Hindustan Zinc Ltd.	496·4	26·7	455·2	33·6
20	Mazagaon Dock Ltd.	787·7	57·8	863·9	66·8

1	2	3	4	5	6
21	Lubrizol India Ltd. . . .	648·2	186·1	438·3	
22	Hindustan Machine Tools Ltd.	2953·5	64·6	2043·4	48·5
23	Heavy Electricals (India) Ltd.	3147·7	43·2	2668·9	41·8
24	Hindustan Aeronautics Ltd. . .	7009·9	41·9	7017·3	42.2
25	Hindustan Steel Ltd. . . .	44492·4	50·1	41735·4	48·8
26	National Newsprint and Paper Mills	511·8	66·6	419·7	53·1
27	Fertilizer Corporation of India	9501·7	59·7	7801·8	44·9
28	Praga Tools Ltd.	270·3	41·4	171·1	24·2
29	Hindustan Salts Ltd. .	41·7	36·4	28·3	24·7
30	National Coal Dev. Corpn. Ltd.	4757·7	27·4	4405·3	26·9
31	Neyveli Lignite Corpn. Ltd. .	1724·9	12·5	1631·0	11·3
32	Bharat Heavy Electricals Ltd.	4449·7	23·8	3576·0	25·9
33	Hindustan Photo Films Mfg. Co. .	436·4	38·9	365·7	34·2
34	Oil and Natural Gas Commission .	4940·4	28·5	3924·9	18·9
35	Uranium Corporation of India	371·7	40·4	374·5	41·5
36	Electronics Corpn. of India . .	313·9	50·5	176·5	41·3
37	National Instruments and Opthalmic Glass Ltd.	107·1	24·4	70·4	14·2
38	Instrumentation Ltd. . .	689·3	71·0	532·5	69·7
39	Heavy Engineering Crpn. Ltd.	3045·1	18·4	2525·2	15·0
40	Pyrites. Phosphates and Chemicals .	69·1	13·4	82·9	14.8
41	Mining and Allied Machinery Corpn.	759·7	29·0	472·6	17·5
42	Indian Drugs and Pharmaceuticals Ltd.	2335·8	44·0	1379·4	27·2
43	Triveni Structurals .	190·3	28·9	90·3	14·5
44	Hindustan Latex Ltd. . . .	110·4	65·2	80·0	50·2
45	Hindustan Organic Chemicals Ltd. .	330·2	24·3	87·9	10·2
46	Madras Refineries Ltd. . . .	5543·4	145·0	4571·9	116·1
47	Bharat Heavy Plate & vessels Ltd.	89·6	5·1	12·7	1·0
48	India Burma Petroleum Co. Ltd. .	3149·5	1473·8	2881·4	998·0
49	Indian Oil International Co. . .	17·7	402·3	2·1	190·9
50	Cement Corpn. of India. . .	227·4	31·9	131·5	21·5

1	2	3	4	5	6
51	Tannery & Footwear Corporation of India	202·3		156·5	76·1
52	Modern Bakeries (India) Ltd. .	586·8	152·2	401·9	113·4
53	Machine Tool Corporation of India Ltd.	24·3	4·6	7·6	1·9
54	Bharat Dynamics Ltd. . .	40·2	1489·0		..
55	Madras Fertilizers Ltd. . . .	698·0	10·5		..
56	Central Inland and Water Transport Corporation Ltd. . . .	279·7	105·0	205·7	72·7
		216267·7		185479·8	

Sales Turnover (Gross) and other Income of Non-Manufacturing concerns Trading and Miscellaneous Undertakings

(Rs. lakhs)

Sl. No	Name of the Undertaking	1971-72	1970-71
1	2	3	4
1	Food Corporation of India . . .	86751·6	69111·3
2	State Trading Corporation of India	26583·2	22231·0
3	Minerals & Metals Trading Corpn. . .	27817·6	25900·8
4	Air India	7856·2	7349·7
5	Shipping Corporation of India Ltd.	7589·1	6484·1
6	Indian Airlines	5591·5	4449·4
7	National Project Construction Corpn. . . .	406·8	413·5
8	Hindustan Steel Works Construction Ltd. . . .	3961·8	3232·2
9	Mogul Lines Ltd.	375·4	364·6
10	National Building Construction Corporation . . .	525·2	329·9
11	National Industrial Development Corpn. . . .	123·7	123·8
12	Engineers (India) Ltd.	289·5	227·6
13	Central Road Transport Corporation . . .	68·7	84.5
14	Central Fisheries Corporation	12·0	22·0

15	State Farms Corpn. of India Ltd.	163·1	124·9
16	Water and Power Development Consultancy Service (India) Ltd.	7·3	0·1
17	Cashew Corporation of India Ltd.	2739·8	1147·5
18	Cotton Corpn. of India Ltd.	920·2*	..
19	India Tourism Development Corpn.	645·7	552·5
20	National Textile Corporation	417·8	401·4
21	Film Finance Corporation	5·7	5·3
22	Export Credit and Guarantee Corpn. Ltd.	166·6	110·9
23	Central Warehousing Corporation	431·5	393·9
24	Engineering Projects (India) Ltd.	0·1	..
25.	Indian Consortium for Power Projects	7.6	
26	Jute Corporation of India Ltd.	338·0	..
27	Projects & Equipments Corporation (Subsidiary of STC)	3944·1	
28	Air India Charters Ltd.	122·4	..
		177862·2	143060·9

Sales Turnover (Gross) and other Income of Non-Manufacturing Concerns

Promotional and Development Undertakings

(Rs. Lakhs)

Sl. No.	Name of the Undertakings	1971-72	1970-71
1	National Research Development Corpn. of India	31.2	23.4
2	National Small Industries Corpn. Ltd. Promotional	1270.7 96.7	840.2 104.7
3	Handicrafts and Handlooms Export Corpn. Ltd.	492.0	436.1
4	Rehabilitation Industries Corpn.	93.2	88.7
5	National seeds Corporation Ltd.	529.3	460.7
6	Indian Motion Pictures Export Corpn. Ltd.	21.8	17.3
7	Rural Electrification Corpn. Ltd.	186.9	68.1
8	Housing & Urban Development Corpn. Ltd.	24.2 ⌋	
9	Indian Dairy Corpn.	587.1	327.8
	Total	3333.1	2367.0

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*First Annual Accounts fot the period 31-7-70 to 31-8-1971.

Cost of Production during 1971-72

In respect of 84 running concerns including Hindustan Steel Ltd. the total cost of production during 1971-72 including provision for all operating expenses excise duty and depreciation but excluding interest on loans amounted to Rs. 39.60 crores.

APPENDIX IV

Return on Investment

Sl. No.	Name of Undertaking	1971-72 Gross profit as % of capital employed	1970-71 Gross profit as % of capital employed	1969-70 Gross profit as % of capital employed	1968-69 Gross profit as % of capital employed	1967-68 Gross profit as % of capital employed
1	2	3	4	5	6	7
1	Hindustan Steel Ltd. .	L	2·7	2·1	L	L
2	Oil & Natural Gas Commission . .	8·6	7·8	7·3	8·6	8·0
3	Indian Oil Corporation	22·6	14·8	15·7	13·0	9·1
4	Cochin Refineries .	10·6	12·9	13·3	17·1	8·5
5	Madras Refineries Ltd.	16·9	15·0	L	(under construction)	
6	Lubrizol India Ltd. .	35·0	24·1	15·5	6·2	(under construction)
7	Indo Burma Petroleum Company .	34·3	22·4		..	
8	Indian Oil International .	68·3	27·2	..	..	
9	Garden Reach Workshops	8·9	9·4	12·8	11·3	14·9
10	Mazagon Dock Ltd. .	11·7	8·8	8·6	7·7	7·7
11	Praga Tools Ltd. .	L	0·4	L	L	L
12	Indian Telephone Industries . .	22·2	20·5	18·3	21·6	22·3
13	Hindustan Cables Ltd. .	L	5·0	4·4	11·6	7·8
*14	Hindustan Shipyard Ltd.	4·5	4·6	2·7	1·0	0·5
15	Hindustan Machine Tools	7·3	3·9	1·5	0·7	0·6
16	Hindustan Housing Factory	25·4	17·1	22·3	16·2	18·6
17	Bharat Electronics Ltd.	23·1	23·8	25·0	24·7	23·3
18	Heavy Electricals India	5·4	L	L	L	L
19	National Instruments & Opthalmic Glass Ltd.	L	L	L	L	L

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*At the time of factual verification, Hindustan Shipyard Ltd. intimated that on the basic of proforma suggested by BPF for determining the gross profit, the percentages work out to 5.72 (1971-72), 1.57 (1970-71), 1.64 (1969-70), 2.72 (1968-69) and 2.95 (1967-68).

1	2	3	4	5	6	7
20	Heavy Engineering Corporation .	L	L	L	L	L
21	Hindustan Teleprinters .	30·2	32·0	42·2	43·3	38·3
22	Tungabhadra Steel Products .	4·4	3·1	4·4	6·8	15·7
23	Bharat Earthmovers Ltd.	13·9	1·6	16·0	14·2	17·1
24	Hindustan Aeronautics Ltd.	5·1	5·0	3·9	3·0	4·3
25	Bharat Heavy Electricals .	5·7	4·9	5·0	1·2	L
26	Instrumentation Ltd. .	14·5	21·6	7·3	L	(under construction)
27	Mining & Allied Machinery Corporation .	L	L	L	L	L
28	Triveni Structurals	L	L	L	L	(under construction)
29	Bharat Heavy Plate vessels Ltd. . . .	L	L	L	(Under construction)	
30	Electronics Corpn. of India	13·2	3·5	L	L	L
31	Goa Shipyard Ltd. .	14·2	18·3	14·4	12·0	6·4
32	Machine Tool Corpn. of India . . .	L	L		(Under Construction)	
33	General Inland Water Transport Corporation	L	L	L	L	L
34	Bharat Dynamics Limited	L	(Under Construction)			
35	Fertiliser & Chemicals (Travancore) Ltd. .	L	L	L	3·3	3·0
36	National Newsprint and Paper Mills .	3·3	L	L	2·7	8·2
37	Hindustan Antibiotics	3·5	2·3	14·2	12·5	15·6
38	Hindustan Insecticides .	12·3	5·5	2·1	10·2	11·4
39	Hindustan Salts Ltd. .	0·2	L	L	L	L
40	Hindustan Photofilm Mgs. Co. .	L	L	L	L	L
41	Hindustan Organic Chemicals .	0·4	1·6	0·1	(Under Construction)	
42	Fertilisers Corpn. of India	3·1	3·0	4·1	4·6	4·6
43	Indian Drugs & Pharmaceuticals .	L	L	L	L	L
44	Sambhar Salts Ltd. .	11·5	L	2·3	14·4	21·4

1	2	3	4	5	6	7
45	Hindustan Latex Ltd.	11·7	4·9	3·7		
46	Madras Fertiliser Ltd.	0·4	(Under Construction)			
47	Indian Rare Earths Ltd.	14·6	12·0	14·8	11·8	21·1
48	National Coal Development Corpn.	L	1·0	2·5	2·5	1·4
49	Neyveli Lignite Corpn.	L	L	0·6	1·5	L
50	National Mineral Dev. Corporation	L	L	2·3	L	L
51	Pyrites, Phosphates & Chemicals	L	0·1	L	L	..
52	Hindustan Zinc Limited	2·0	L	L	3.6	2·7
53	Uranium Corpn. of India	7·7	6·9	3·9	L	(U. C.)
54	Cement Corpn. of India	0·4	L	(Under construction)		
55	Modern Bakeries (India)	16·3	4·9	L	1·2	L
56	Tannery & Footwear Corpn.	L	L	L	..	
57	State Trading Corpn. of India	70·2	13·5	42·1	36·6	20·6
58	The Mineral & Metal Trading Corpn. of India	73·8	52·3	5·4	L	9·3
59	Food Corpn. of India	6·2	4·9	7·5	3·8	4·8
60	The Cashew Corpn. of India	167·3	104·7		..	..
61	The Cotton Corpn. of India	4·1				..
62	The Jute Corpn. of India	17·0		..	..	..
63	The Projects & Equipment Corporation of India	2·8	..	..	..	..
64	Mogul Lines Ltd.	2·1	4·2	7·0	6·0	5·5
65	Air India	1·4	5·5	8·1	10·0	11·8
66	Indian Airlines	L	L	7·1	8·0	3·8
67	The Shipping Corpn. of India	9·0	9·8	8·3	9·0	11·6
68	Air India Charters Ltd.	L		..		..
69	National Industrial Dev. Corporation	8·8	8·8	8·5	7·3	5·9
70	National Building Construction Corpn.	15·7	L	L	L	L

1	2	3	4	5	6	7
71	National Projects Construction Corpn.	L	L	L	L	L
72	Hindustan Steel Works Construction Corpn.	47.5	84.9	15.0	17.2	6.2
73	Engineers (I) Ltd.	37·2	79·5	85·9	60·9	88·8
74	Water & Power Dev. Consultancy Services .	8·1	L	L		
75	Indian Consortium for Power Projects	L	L	L		
76	Engineering Projects (India) . .	L	L	..		
77	Central Warehousing Corporation .	7·9	9·2	9·8	8·3	4·7
78	Export Credit & Guarantee Corpn.	..		..		
79	Film Finance Corpn.	3·5	3·0	3·3	3·2	3·1
80	India Tourism Dev. Corpn. .	4·9	8·2	2·0	1·4	0·8
81	Central Road Transport Corpn. .	L	L	L	L	L
82	Central Fisheries Corpn.	L	L	L	L	L
83	National Textiles Corpn.	4·5	4·8	L	..	..
84	State Farms Corpn. of India .	0·4		7·1		
85	National Research Dev. Corpn. .	14·8	13·7	5·9	L	L
86	National Small Industries Corporation .	2·4	1·8	3·7	L	2·6
87	Handicrafts & Handlooms Export Corpn. of India	L	6·7	7.2	2.6	L
88	Rehabilitation Industries Corpn. Ltd.	L	L	L	L	L
89	National Seeds Corpn. .	3·9	6·5	6·7	L	11·5
90	Indian Motion Pictures Export Corpn. .	3·7	17·3	10·2	9·6	9·1
91	Rural Electrification Corporation	2·2	0·8	0·3		
92	Housing & Urban Dev. Corpn. .	4·5				
93	Indian Dairy Corpn. .	5·6	3·1	..	..	..

APPENDIX V

Statement showing Contribution made by some Leading Public Undertakings towards National Exchequer

(Rs. lakhs)

Name of P. U.	Taxes	Central Excise Duty	Dividends paid	Interest paid on Govt. Loans	Tota
I. HINDUSTAN STEEL LTD.					
1967-68	139,3	324,3		291,7	7,553
1968-69	182,4	379,3		302,5	8,642
1969-70	248,6	446,4		286,8	9,818
1970-71	279,1	425,0		261,1	9,652
1971-72 (Provisional)	269,5	503,6	..	235,8	10,089
II. HINDUSTAN PHOTO FILMS					
1967-68		..	..	38·76	38·76
1968-69		0·59		52·62	53·21
1969-70		9·69		59.30	68·99
1970-71	..	6·84		69·91	76·75
1971-72		7·17		79·22	86·39
III. FERTILISER CORPORATION OF INDIA					
1967-68	..	..	..	311·00	311·00
1968-69	..	51·00		376·00	427·00
1969-70	..	548·00	..	430·00	978·00
1970-71		504·00	..	405·00	90,900
1971-72		526·00		437·00	963·00
IV. CENTRAL WAREHOUSING CORPORATION					
1967-68		..	22·63	48·72	71·35
1968-69	..	..	23·82	48·92	72·74
1969-70	14·11	..	26·22	66·59	106·92

Name of P. U.	Taxes	Central Excise Dury	Dividend paid	Interest paid on Govt. Loans	Total
1970-71	18·87 (Advance Tax)	..	28·21	62·38	109·46
1971-72	19·55 (Advance Tax)	..	To be declared and paid in 1972-73	66·19	85·74
V. HEAVY ENGINEERING CORPORATION					
1967-68		1·79	..	630·34	632·13
1968-69		1·26		735·10	736·36
1969-70		0·17		763·22	763·39
1970-71		0·89		846·60	847·49
1971-72		0·34		644·74	645·08
VI. HINDUSTAN SHIPYARD LTD.					
1967-68	0·51		..	0·09	0·60
1968-69	0·55			5·37	5·92
1969-70				12·97	13·92
1970-71				19·34	19·34
1971-72	..	..	..	27·37	27·37
VII. INDIAN DRUGS AND PHARMACEUTICALS LTD.					
1967-68	1·46	..		0·17	1·63
1968-69	0·93	0·19	...	6·24	1·36
1969-70	0·91	0·48		0·27	1·66
1970-71	3·04	2·11		0·16	5·31
1971-72	4·48	2·58	...	0·16	7·22

(Replies to Point No. 57, Pre. Mat.)

*At the time of actual verification, HEC intimated that these figures are on actual basis only. totals as per actuals are

487·16
647·05
853·50
921·04
770·79 respectively

APPENDIX VI

Statement showing percentage of rejections at the plants in the various undertakings

Name of Public Undertakings	Minimum % and the year of production	Maximum % and the year of production.
1. Bharat Heavy Electricals Ltd.		
Tircuchy Plant	0.32% (1970-71)	1·04% (1971-72)
Hyderabad Plant	0·11% (1967-68)	0·63% (1969-70)
)		
Leus		43% (1971-72)
Blanks		50% (1971-72)
3. Electronics Corpn. of India	12 % (Servoconductors Div.)	46% (Semi Conductor Div.)
	15% (Servo-Control Div.)	20% (Servo Control Division).
4. Heavy Electricals(I) Ltd.	0·18% (1967-68)	0·31% (1969-70)
5. Heavy Engineering Corporation Ltd.		
Heavy Machine Bldg. Plant	0·09% (1969-70)	0·32% (1971-72)
Heavy Machine Tools Plant	6·1% (1970-1971)	9·9% (1971-1972)
Foundry Forge plant	3·7% (1969-70)	7·1% (1967-68)
6. Hindustan Cables Ltd.	0·45% (1968-69)	1·48% (1970-71)
Dry Care Coaxial	8·25% (1968-69)	11·04% (1970-71)
7. Hindustan Housing Factory	0·5% (1967-68)	1·0% (1971-72)
8. Hindustan Latex Ltd.	8·52% (1971-72)	12·73% (1970-71)
9. Hindustan Photo Films Mfg. Co.	8·42% (1969-70)	36·42% (1970-71)
Cine positive -X-Ray	26·27% (1969-70)	66·85% (1971-72)
Bromide paper	5·04% (1970-71)	15·50% (1969-70)
10. Bhilai Steel Plant (HSL)	0·71% (1971-72)	1·34% (1968-69)
11. Durgapur Steel Plant (HSL)	0 30% (1969-70)	0·99 %(1967-68)
12. Rourkela Steel Plant	0.35% (1968-69)	0·93% (1970-71)

1	2	3
13. Alloy Steel Plant	4·5 % (1967-68)	5·5 % (1970-71)
14. Surgical Instruments Plant (IDPL)	18·95 % (1971-72)	51·07% (1967-68)
15. Anti Biotics Plant (IDPL)	0·23 % (1970-71)	0·79% (1971-72)
16. Indian Telephone Industries Ltd.	0·72 % (1970-71)	0·98% (1967-68)
17. Lubrizal India Ltd.	..	3·5 % (1971-72)
18. Machine Tools Corporation of India	.. ..	10·12 %
19. Mining & Allied Machinery Corporation Ltd.	2·0 % (1970-71)	7·4 % (1968-69)
20. Neyveli Lignite Corporation Ltd.	0·06 % (1970-71)	0·15 % (1970-71)
Leco	0·05% (1969-70)	0·16% (1970-71)
Urea	0·01% (1971-72)	0·9 % (1969-70)
21. Tannery & Footwear Corporation Ltd.	0·01% (1971-72)	0·9 % (1969-70)

APPENDIX VII

I. HINDUSTAN STEEL LTD.

	Unit			1970-71	Percentage Increase(+) Decrease (—)	1971-72	Percentage Increase(+) Decrease) (—)
A.	Bhilai .	Rs./tonne Steel ingot	Standard cost	325	(+)11	370	(+)8·9
			Actual cost	363		403	
B.	Durgapur	”	”	350	(+)28	391	(+)36
				450		532	
C.	Rourkela	”	”	362	(+)3	356	(+)32
				374		472	

Shortfall in production arising mainly from:—

(*i*) Lack of balancing facilities in Rourkela in 1970-71 and 1971-72.

(*ii*) Industrial relation problems in Durgapur in 1970-71 and 1971-72.

(*iii*) Gas shortage in Bhilai during 1971-72.

II. HINDUSTAN PHOTO FILMS MFG. CO.

Product		1968-69	1969-70	1970-71	1971-72 (Total cost including interest depreciation)
Cine Positive .	Material cost Rs/Sqm.	8·69	9·85	9·73	25·13
X-Ray . . .	”	16·00	26·36	37·89	62·52
Bromide Paper . . .	”	5·80	6·98	6·71	11·35

Reasons: Due to highly sophisticated nature of the industry and only one of its kind in Asia, and due to entire operation being carried out, wholly by Indian Personnel, lot of technical problems are faced resulting in wide fluctuation in scrap arising. This has very much affected the cost structure.

III. HEAVY ENGINEERING CORPORATION LTD.

	DPR Cost (Rs.)	Actual cost		
		1969-70	1970-71	1971-72
(*i*) Blast Furnace .	3,780 per metric tonne	9,182	10,109	11,249
(*ii*) Crushing & Grinding Equipment	4,210	24,070	18,619	21,210
(*iii*) Rolling Mill Equip.	4,050	19,066	15,629	16,311
FF PLANT				
(*i*) G.I. Castings . . .	742	4,969	4,720	4,088
(*ii*) N.F. Castings (Al. Base)		24,157	23,745	33,000
(*iii*) N.F. Castings (Cu. Base) . .	..	40,406	29,470	17,675

Reasons: (*i*) Difference in the complexity of individual equipments manufactured during a year.

(*ii*) General increase in the cost of materials.

(*iii*) Difference in the quantum of import contents.

(*iv*) Reduction in overheads because of increase in production in later years.

IV. FERTILISER CORPORATION OF INDIA LTD.

		1967-68	1968-69	1969-70	1970-71	1971-72
A. Sindri	Urea Rs./Tonne	517	520	529	618	586
		582	684	732	727	804

V. INDIAN DRUGS AND PHARMACEUTICALS LTD.

	Standard cost per unit 1	1967-68 2	1968-69 3	1969-70 4	1970-71 5	1971-72 6
I. *Antibiotics*						
1. Pot. Penicillin	100	545	345	247	177	141
2. Sod. Penicillin	100	..	983	612	235	156
3. Proc. Penicillin	100	..	667	343	190	156
4. Strepto-sulphate	100	..	1,075	415	311	205

	1	2	3	4	5	6
5. Oxtetracycline Hyd. . .	100	..	..	320	126	98
6. Nystain . .	100	..	..	..	..	474
II. *Synthetic Drugs*						
1. Phenacetin .	100	323	190	105	102	86
2. Sulphanilamide	100	195	166	149	146	128
3. Sulphaguanidine	100	190	172	166	153	141
4. Sulpha dimidine	100	731	230	210	174	138
5. Sod. Sulphacetanide .	100	337	156	275	231	134
6. Vitamin B1 .	100	..	1,418	601	282	193
7. Vitamin B2 .	100	..	466	242	282	283
8. Folic Acid .	100	303	536	288	181	58
9. Analgin .	100		827	579	445	227
10. Amidopyrin .	100	..	827	579	445	226
11. Phenobenhhitone	100	..	291	201	147	120
12. Pip Adipate .	100	..	286	194	175	293
13. Pitrazine Citrate	100	..	411	245	228	..

APPENDIX VIII

Summary of Conclusions/Recommendations of the Committee on Public Undertakings contained in the Report

Sl. No.	Reference to Para No. in the Report	Summary of Conclusions/Recommendations
1	2	3
1	1.20	The Committee note that by the Industrial Policy Resolution of 1948, the responsibility for setting up new undertakings was reserved to the State in six basic industries *viz.* coal, iron and steel, aircraft manufacture, ship-building, mineral oils, manufacture of telephone, telegraph and wireless apparatus (excluding radio receiving sets). By its subsequent Resolution of 1956, Government expanded the role of public sector so as to include eleven other basic and strategic industries *viz.* arms and ammunition, atomic energy, heavy castings and forging of iron and steel, heavy plant and machinery, heavy electrical plant including hydraulic and steam turbines, mining, minerals, air and railway transport, Generation and distribution of electricity. The Industrial Policy Resolution of 1956 had settled the broad areas which should be the responsibility of the public sector. The Committee note that significant progress made in these key sectors constituting basic and strategic industries had laid the foundation for sound economic growth. The Committee suggest that Government may examine the matter and lay down as precisely as possible in the Fifth Plan the role and

1	2	3
		targets of production to be attained by the public sector and the private sector—industry-wise—so to remove any ambiguity and provide clear guidelines to all concerned.
2	1.34	The Committee note that it is the Government's objective to expand and extend the role of the public sector into new fields, including production of mass-consumption goods in which significant production gaps exist or are likely to develop. During evidence, the Committee were informed by the Special Secretary, Ministry of Industrial Development that because of limitation of resources, both human and financial, Government had adopted a 'selective approach' to this question and were already thinking of letting the public sector enter consumer industries like the tyre and tube industry where the foreign companies were dominating and where there was persistent shortage. The representative added that public sector could also step in areas where certain capacities for production of basic and strategic industries had been estabilshed in the public sector and where with a marginal adjustment consumer products could be produced. This would give the basic industries what he called their 'bread and butter'. The representative of the Ministry of Industrial Development also agreed that in areas where prices of products had shot up, the public sector could enter to bring about stabilisation of prices. The Secretary, Ministry of Steel was of the view that basic and primary industries like steel could also consider embarking upon industries to which value could be added. It has been urged before the Committee that in the context of expanding demand for consumer goods and persistent shortages, the public sector

1	2	3
		should progressively enter into mass consumption industries. The Committee are of the view that the public sector should extend itself to areas where we have established certain capacities for production of basic and strategic materials more particularly in areas which are dominated by foreign companies. They should be organised as a catalyst to set high examples to others and provide an effective means of regulating the prices in the interest of the public. The Committee would like Government to undertake a comprehensive study to identify areas of consumer industries which can be taken up in the public sector, keeping scrupulous regard for the interest of small and medium scale industries.
3	1.37	The Committee note that it is the Government's policy to take over 'sick mills' in the textile or other areas with a view to maintain employment of the people and optimum utilisation of the production assets in the national interest. Pursuant to this, the National Textile Corporation has been able to re-open a number of sick textile units which had closed or were about to close down. The Committee would like Government to ensure that these units are re-organised on sound lines so as to become productive and viable assets and that the interests of labour are well protected. The Committee would also suggest that Government should see that the textile mills manufacture cloth to meet the requirements of the common man at most competitive rates. The Committee are compelled to observe that Government should not allow themselves to be saddled with the problem of mills which are contrived in to sick condition because of mis-

1	2	3
		management. The Committee feel that it should be possible for Government to keep a strict watch on the performance of textile mills and take timely measures which would ensure their continued production in the interest of meeting the requirements of common man and obviating the chances of their becoming a liability to the public sector.
4.	1.44	As far back as 1963, the Estimates Committee had, in their 32nd Report on the National Coal Development Corporation, recommended that broad principles regarding financial and economic obligations of public sector enterprises should be laid down by Government. The recommendation was reiterated by the Committee on Public Undertakings in their 7th Report (3rd Lok Sabha) in 1965. In October, 1967, the Administrative Reforms Commission recommended that Government should "make a comprehensive and clear statement of objectives and obligation of public undertakings." The Committee note that even though a period of 10 years has elapsed since the Estimates Committee made their recommendation, Government have not laid the financial, economic and social objectives of public sector enterprises so far. The Committee consider it unfortunate that Government should have taken so long to implement a recommendation of such a far reaching importance. The result ~~has been~~ that the performance of public undertakings continue to be judged by a variety of vague objectives and considerations and afford scope for uninformed criticism which make for dilution of managerial accountability.

1	2	3
		The Committee hope that at least now this matter would receive serious consideration of the Government and the White Paper promised to the Committee would soon be presented to Parliament, setting out *inter-alia* the following:— (i) A framework of principles of Government's general economic, financial and social strategy for public sector undertakings; (ii) micro objectives, both financial and economic, of each public undertaking and providing for review from time to time; and (iii) quantification of social objectives and obligations and issue of Government directives in appropriate cases.
5.	2.4	Public Sector has been growing both in absolute as well as in relative terms. Further, most of the public sector enterprises are in basic industries like Steel, Heavy Engineering, Heavy Electricals, Machine tools etc. which have a bearing on the development of other industries in national economy. The number of public sector undertakings has risen from 5 at the commencement of the First Five Year Plan to 101 by the end of March, 1972. The investment in these enterprises during that period has increased from Rs. 29 crores to Rs. 5,052 crores. The Committee find that the Hindustan Steel Ltd. has so far produced 11.5 million tonnes of pig iron for sale and 26 million tonnes of saleable steel valued at Rs. 27,000 million. Heavy Engineering Corporation has produced goods worth Rs. 95 crores. Hindustan Machine Tools Ltd.'s share in indigenous production of machine tools is more than 40 per cent. Tiruchy Plant of BHEL has manufactured 8 industrial boilers, Hyderabad Plant

1	2	3
		of BHEL has supplied 6 industrial turbo sets. Hardwar Plant of BHEL has supplied 750 electrical motors apart from supplying thermal and hydro stations in obviating import of equipment of the value of Rs. 280 crores. Heavy Electricals (India), Bhopal has so far manufactured 10 hydro sets and 5 thermal sets apart from manufacturing power transformers and circuit breakers of sizes which are the largest so far required in the country. Hindustan Shipyard Ltd. has built 58 ships including 47 ocean-going cargo liners. The present capacity of the 5 operating units of the Fertilizer Corporation of India is 0.412 million tonnes of nutrients. The Fertilizer and Chemicals Travancore Ltd. has so far produced 4,26,021 tonnes of nitrogen and 1,75,174 tonnes of P_2O_5 The Oil and Natural Gas Commission has so far produced and sold over 24 million tonnes of Crude Oil and about 2,024 million cubic meters of natural gas thereby saving free foreign exchange to the tune of Rs. 250 crores. The total refining capacity of public sector enterprises is 11.75 million tonnes. This capacity would increase to 17.75 million tonnes after commissioning of the Mathura Refinery Public Sector has also not lagged behind in Air and Sea transport. Air India has a fleet of nine 707 aircraft and four 747 aircraft. Indian Airlines has a fleet of 51 aircraft. The Shipping Corporation of India has increased its fleet from 19 vessels in 1961 to 95 vessels on 31-8-1973. The share of the public sector shipping in the total tonnage of the country is now 46.74 per cent. The State Trading Corporation's turnover has reached Rs. 265.83 crores in 1971-72. While taking note of the positive contribution made by the undertaking towards the country's aim of achieving self-reliance in key sectors of economy, the Committee ~~wish to~~ point out that

1	2	3
		production in certain critical industrial sectors continues to depend on imports. For instance, in 1971-72 alone, imports of iron and steel were of the order of Rs. 245 crores, of petroleum products Rs. 194 crores and of fertilizers Rs. 113 crores. They hope that Government would gear up the planning and implementation machinery to the tasks so that by the end of the Fifth Plan the economy becomes capable of self-generating growth, and dependence on imports particularly in critical sectors is reduced to the minimum.
6	2.16	While there is a need for the growth of public sector, the Committee feel that such growth should be achieved through a careful planning both at the micro and macro level. The Committee find that while by and large undertakings have micro plans, some undertakings find it difficult to have a macro plan for their industries (H.S.L.), in the absence of timely management information. The Committee were informed that Five Year Plans formulated by the Planning Commission contained overall plans of public sector programme as well as the programmes of individual undertakings for the five year period. In addition, Annual plans were formulated for them. The Committee feel that public sector in India being one of the largest industrial assets in the world today, a modern and dynamic approach should be brought to bear on its planning and functioning.
7	3.14	The Committee note that Steel Authority of India has been set up as a holding Company with the expectation that it will bring about improvement in efficiency and economies in procedure and develop a steel cadre which is of vital importance for this sector. The holding company will also help in better planning of steel production.

1	2	3
8	3.15	The point whether the holding company should have been established under an Act of Parliament as is done in some other countries can be decided only after some experience with the present set up. The Committee, however, feel that the relationship between the Ministry, the Steel Authority and its component units should be clearly demarcated.
9	3.26	Since the pattern of Board consisting of not only full time functional but also part time members is the common type prevailing in the larger enterprises both in the public and the private sectors all over the World, the Committee have no objection to that pattern but Government should ensure that part time members are persons who have established an outstanding reputation in the fields of industry, trade, public administration or trade union organisation and last but not the least are conscious of the role of public sector and possess a missionary zeal to improve the standards of management. In order to perform its functions effectively, the Board should meet as often as necessary so that it is able to grapple with the problems of the enterprise promptly.
10	3.27	The Committee reiterate their recommendation contained in para 8.27 of their 17th Report (5th Lok Sabha) that participation of workers and their representatives should be at all levels beginning from the shop level to the Board of Directors "with a view to promote industrial harmony and maximise production." The Committee attach great importance to this recommendation which is of a very fundamental nature is as much as they point out that mere appointment of a workers representative on the Board

1	2	3
		of Management without workers participation at all levels will have only a symbolic value and expect that no further time would be lost by Government in its implementation and to give this measure a wider coverage.
11	3.38	The Committee view with concern the fact that as on 1st September, 1972, 19 public undertakings were being run without top managers of which 10 undertakings did not have even Chief Executives. In the Fertilizer Corporation of India alone as many as 9 posts of General Managers of projects were vacant and of these 7 had remained unfilled for over two years. The Committee note that high level group of Ministries are already seized of this question that major public undertakings are without top men or key-men and a decision is likely to emerge shortly.
12	3.39	It transpired during the evidence that the main delay was on account of some misunderstanding between the Fertilizer Corporation of India and the administrative Ministry concerned, since so far, the Empanelment Board, constituted as it was, consisted solely of Secretaries to Government and had no representative of public sector enterprises in it. Now that the Empanelment Board has been reconstituted by including in it an equal number of representatives of public undertakings, the Committee hope that such controversies, which neither behave Government nor bring credit to the enterprise, would not arise in future and that deeper understanding and greater confidence would prevail in the relationship of Government and public sector enter-

1	2	3
		prises. During evidence, the Finance Secretary admitted that "the reason for the vacancies was lock of advance planning." The Committee hope that the Government would finalise soon the details of the framework for the new managerial personnel policy demarcating clearly the role of the Bureau of Public Enterprises and the High level Selection Board.
13	3.41	The Committee note that "normally, part-time Chief Executives who have to attend to their own private interests in a competitive concern, are not considered for any appointment in Public Sector Undertakings, and that in this case an exception was made in view of his vast experience and knowledge in the field of paper industry". The Committee are of the view that appointment of a person who has his own private interests in a competitive concern as Chairman of a public sector concern even on a part time basis, is wrong in principle. The Committee desire that Government should review the position in this and other similar cases, if any, in the larger interests of the public sector. The Committee would like to be informed of the action taken by Government.
14	3.53	The Committee note that the original idea underlying the setting up of the Bureau of Public Enterprises was to provide one centralised agency which would act as the eyes and ears of Government and provide an overall critical review of the functioning of the public sector for identification of the problems be setting them and suggest concrete measures to remedy the shortcomings. The Committee also note that the strength of the Bureau has increased from 96 as on 1-6-1969

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		with a budget of Rs. 14 lakhs to 237 as on 1-3-73 with a budget of Rs. 41.17 lakhs in 1972-73.
15	3.54	The Committee gathered the impression during their visits to public undertakings as well as during the evidence tendered by the chief executives of the public undertakings that the Bureau has not been able to discharge its role and functions to the entire satisfaction of public undertakings. Not only have its guidelines or advice not found ready acceptance with the undertakings, it has also not been able to resolve the problems facing some undertakings in any tangible manner. In the circumstances, the Committee cannot but look askance at the heavy expenditure which is being incurred on this top-heavy bureau and they cannot help expressing the feeling that if the Bureau has to serve the original objective, it must be made more compact and be manned by persons who have long experience of working in public undertakings and who can command respect of the undertakings by virtue of their knowledge and proven leadership in management.
16	3.55	The Committee note from the written reply furnished by Government that the monitoring and reviewing functions of the Bureau have not been discharged effectively, else there would not have been the necessity for appointment of Action Committee under the chairmanship of a Member, Planning Commission, to review the working of a number of Public Undertakings.
17	3.56	The Committee also note that the Bureau is still attempting to build an appropriate data bank for information relating to public sector. The Committee feel that there is a pressing need for development of a system of reporting which would enable Government to effectively monitor

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		the performance of each undertaking, focus attention without delay on problems which are coming in the way of its allotted role and assist Government|public undertakings in resolving these issues without loss of time.
18	3.51	The Committee have considered the necessity or otherwise for such an agency in the context of the latest move to set up sectoral holding companies for various undertakings which will oversee working of constituent units and co-ordinate common matters bearing on planning and development of production capacity, recruitment training programme, etc.
		The Committee recognise the need for a small compact Bureau staffed by experienced technical personnel drawn from public undertakings to study larger issues relating to capital structure, cost of construction, inventory control, productivity etc. with a view to assisting the public undertakings particularly in the initial stages, to evolve their own norms.
		The Committee note that the working of the Bureau of Public Enterprises is currently being reviewed by a high powered task force headed by Member, Planning Commission. They hope that the Task Force will critically go into the functioning of the Bureau and would clearly demarcate its role and functions so that it can be reorganised to serve effectively the objective that Government had in view in setting it up. The Committee would like to be informed of the recommendations made by the Task Force and the concrete action taken by Government in pursuance thereof to rationalise and reorganise the working of Bureau of Public Enterprises so as to

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		act as an effective clearing house of information, policy guidance, monitoring agency which commands the regard of the public undertakings by virtue of its knowledge and leadership and of Government by rendering timely reports on focussing light on important issues, coming in the way of the achievement of production target by the Public Undertakings.
19.	3.58	The Committee reiterate the recommendation made by the Estimates Committee in Paragraph 14.5 and 14.6 of the 24th Report, Fifth Lok Sabha, on 'The Form and Contents of Demands for Grants' that the contents of the Bureau's Annual Report on Industrial and Commercial Enterprises should be improved and that the Report should be made available to Members of Parliament along with budget papers. The Committee would like the Bureau to so improve the Annual Report that it brings out clearly the achievements of public undertakings as also focuses attention on significant issues which are hampering the achievement of production targets by the public undertakings, in the interest of greater accountability to Parliament.
20.	3.71	The Committee feel it is of the utmost importance that not only management of public undertaking but the administrative ministry concerned and Government as a whole should be contemporaneously informed of the production and financial results of each undertaking in which nation's scarce resources have been invested. The Committee feel that in the light of experience gained in the working of public undertakings over several years and the technique of production and management reporting developed in recent years, it should be possible for

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		Government to ensure that meaningful reports giving the performance data of each undertaking reach them at least once a quarter so that it can be monitored and suitable measures initiated as necessary in the interest of efficient functioning of the undertaking. The Committee would in this connection like to recall that some of the public undertakings particularly State Trading Corporation, have developed a technique of management reporting which places at the disposal of the management the working results not only for each month but also for each week. The Committee see no reason why with suitable modifications, this technique of management reporting cannot be extended to other public undertakings. This, in the Committee's view would provide the best discipline for the undertakings to spare no efforts to achieve their assigned role and thus contribute their share in the development of economy.
21.	4.14	The Committee are glad to note the high level of utilisation of capacity achieved by public sector Refineries (Gujarat Refinery—121 per cent, Gauhati Refinery—107 per cent, Cochin Refinery--109 per cent, Madras Refinery—100 per cent) and by the HMT Watch Factory (131 per cent) and Lubrizol India Ltd. (140 per cent). This is an impressive achievement. It is a matter of satisfaction to the Committee that several public enterprises have brought about considerable improvement in capacity utilisation in 1971-72 as compared to the level of utilisation in 1967-68. There are, however, certain undertakings where the capacity utilisation is far from satisfactory. For instance, the percentage of achievement of rated capacity in 1971-72 by Hardwar Plant of Bharat Heavy Electricals was 12.6 per cent, by Tannery & Foot-

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		Wear Corporation, 24 per cent, by Co-Axial Plant of Hindustan Cables 34 per cent, by Durgapur Steel Plant of Hindustan Steel, 44 per cent, etc. etc. The main reasons for non-achievement of rated capacity were shortage of power, insufficient orders, lack of raw materials, change of pattern of demand, insufficient quantum of foreign exchange etc.
22.	4.15	The role of Public sector in terms of Industrial Policy Resolution is generally accepted. Concern is, however, voiced about the performance of public sector and this in particular concerns the actual production turn-out as compared to the installed capacity. The Committee need hardly point out that the under utilisation of production capacities not only leads to locking up of scarce resources but also results in wide-spread repercussions in linked industries and heavy avoidable imports. It had also the effect of inflating the cost of production and adversely affecting the financial results of the undertakings. Besides, it means that the plant and machinery may become obsolescent and even unprofitable because of technological development before full value of the investments made had been derived.
23.	4.16	The Committee would also recommend that Government should immediately analyse the reasons for this persistent under-utilisation of capacities in the various undertakings and take remedial measures in respect of each of them These measures and the improvements made should be reviewed every year and the same specifically brought to the notice of Members of Parliament through a special Chapter in the Annual Report of the Bureau of Public Enterprises on Central Government industrial and Commercial undertakings. It should bring out in clear terms the percentage of utilisation of installed capacities and the reasons for ideal capacities, if any, its implications in financial

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		terms and the remedial measures taken or proposed to be taken by government to improve utilisation of capacity in the Public Sector.
24.	4.23	The Committee note that even where attempts have been made by individual undertakings for diversification of their production, such attempts have been rather sporadic and diffused and no serious efforts seem to have been made to have a comprehensive plan of diversification consistent with the market trends of the products. The Committee would recommend that Government should pay special attention to the question of diversification and create a machinery for taking suitable steps in this direction with a view to deriving maximum benefit from the installed capacity in various modern techniques.
25.	4.26	The Committee note with satisfaction that in the case of 30 Undertakings|Plants there has been a notable increase in the quantum of production during the period from 1967-68 to 1971-72.
26.	4.44	The Committee are glad to note that during 1971-72 production exceeded the targets at Tiruchy Plant of Bharat Heavy Electricals Ltd., Electronics Corporation of India, Heavy Electricals (India) Ltd. Hindustan Photo Films Mfg. Co. Hindustan Antibiotics Ltd. (Pencillin Production), Oil and Natural Gas Commission (crude oil), National Instruments Ltd. National Newsprint and Paper Mills Ltd. Madras Refineries, Modern Bakeries Ltd. Instrumentation Ltd. Etc. The Committee also note that there were many undertakings which achieved their targets substantially, the shortfall in their cases being only 10 per cent. The Committee, however, cannot but view with concern instances, even if they are few in number, where shortfalls in achievement of targets were as high as 50 per cent and more, for example, Hardwar Plant of Bharat

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		Heavy Electricals, Electronics Corporation of India, Synthetic Drugs Plant of IDPL in 1967-68, Bharat Opthalmic Glass Co. Ltd. and Hindustan Cables Ltd. in 1968-69 to 1971-72, Foundry Forge Plant of Heavy Engineering Corporation Ltd. in 1969-70 and Cement Corporation of India Ltd. in 1970-71. The Committee are unable to see why shortfalls in achievement of targets of production should be so high. The Committee recommend that undertakings should neither fix over-ambitious targets and find it too difficult to achieve them nor pitch them low deliberately so as to cover up poor performance. The Committee would like to invite the attention to their recommendation in their 67th Report on "Production Management" and reiterate that annual targets of production should not only be fixed after taking into account all the relevant factors pertaining to production but such targets should be equal to or as near to the rated capacity as possible and fixation of targets lower than the rated capacity should be with the prior approval of Government.
27.	4.45	From the replies furnished to the Committee and the views expressed at the time of evidence by representative of some of the leading public undertakings, the main factors which can be said to have been responsible for non-achievement of targets of production in varying degrees, in different industries in the public sector, were (i) shortage of irregular supplies of power; (ii) shortage and irregular supply of raw materials, components, stores & spares; (iii) lack of demand for products; (iv) inadequate maintenance of plant and machinery; (v) strained industrial relations; (vi) non-availability of foreign exchange and procedural delays in obtaining import licences etc; (vii) teething troubles in the case of new plants etc.; (viii) technological or other problems.

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28	4.46	Production is the need of the hour. Needless to emphasise that non-achievement of targets of production and under utilisation of capacity have an adverse effect on profitability of the undertaking. Public Undertakings should, therefore, do all in their power to achieve optimum level of production and thus contribute to the achievement of country's goal of achieving self-reliance. In this connection, the Committee note that Government have appointed an "Action Committee" to identify the problems in the way of achievement of optimum production and find solutions therefor. They hope that this Committee will be able to find abiding solutions to the difficulties experienced by the public sector enterprises in stepping up their production.
29.	4.47	The Committee also recommend that public undertakings should set up "Monitoring Cell" to carry out concurrent review of the production performance, identify the weak areas and initiate remedial measures promptly so as to ensure that production does not lag behind but conforms to estimates of quantity, quality, time and cost.
30.	4.59	The Committee recommend that Detailed Project Reports should invariably contain an indication about the likely gestation period of the Project not only to serve as a guideline but also to provide a yardstick for measuring the performance or profitability of a project. The Committee recognise that there are possibilities of deviation between the Designer's expectations and actual realisation in terms of commissioning of units as well as in the rate of development of production due to various local factors and peculiarities special to different undertakings. The Committee, therefore, feel that it is for these reasons that it is all the more necessary that such

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		a specific provision is made in the DPR so that management can determine the extent of deviation from the normal gestation period stipulated in the DPR analyse the reasons for deviation and initiate on-course corrections to see that projects are completed, commissioned and developed for production according to schedule. Needless to stress that such delays prove costly to the Exchequer and put the clock of the progress back. To give an example, delays in the construction and commissioning of fertilizer plants under execution by the Fertilizer Corporation of India have already cost the country Rs. 122.09 crores by way of loss in production and increase in departmental charges etc.
31.	5.3	The Committee note that the sales turnover of manufacturing concerns in the public sector has increased from Rs. 1059.65 crores in 1967-68 to Rs. 2162.67 crores in 1971-72, an increase of 104 per cent in the period of 5 years. The gross sales turnover and other income of the Non-manufacturing concerns in the public sector has gone up from Rs. 794 crores in 1967-68 to 1811.95 crores in 1971-72, an increase of 128 per cent in a period of 5 years. Sales turnover (gross) in 1971-72 as percentage of capital employed increased in the case of as many as 42 out of 54 industrial and manufacturing enterprises and 26 out of 30 non-manufacturing enterprises as compared to the previous year and in 14 industrial and manufacturing enterprises exceeded 100 per cent. The Committee hope that manufacturing enterprises would gear up their sales organisations to achieve better sales performance in the years to come.
32.	5.7	The Committee find that the Indian Drugs & Pharmaceuticals Ltd. and Hindustan Antibiotics Ltd. have each set up a sales and marketing organisation even for sale of common products

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		like antibiotics. Similarly, the Fertilizer and Chemicals Travancore Ltd. and the Fertilizer Corporation of India have marketing organisations of their own even though both the companies are in the public sector and are engaged in production of fertilizers. The Committee recommend that Government should see if it would be possible to evolve a centralised sales and marketing set up for each type or industries and if that is not possible at least for specified products which are manufactured by more than one public undertakings. In the opinion of the Committee, a centralised organisation apart from being economical would lead to greater coordination, evolution of effective sales strategies and development of expertise in the field of sales and management.
33.	5.33	The Committee are of the view that the marketing and sales organisations of Public Undertakings should be made more compact and better co-ordinated with a view to eliminating some of the difficulties faced by the consumers because of defects in distributing channels, for instance, in the case of steel and fertiliser. The Committee are also of opinion that the marketing survey technique should be more and more utilised for assessing demands of various products and helping the Undertakings to plan their production. In the opinion of the Committee, Public Sector Enterprises need not imitate the sales promotion and marketing techniques of the private sector largely in advertising the products of the public sector but should give greater emphasis in bringing out the role of the Public Sector in national economy.
34.	6.11	The Committee are happy to find that the number of manufacturing enterprises and which

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		export goods their value of exports had been rising every year till 1970-71. In 1967-68, 8 manufacturing enterprises in the public sector exported products of the value of Rs. 50 crores. In 1968-69, 17 enterprises exported products of the value of Rs. 69.35 crores, an increase of 38 per cent. In 1969-70, the number of such manufacturing enterprises went upto 23 and the value of their exports totalled Rs. 89.76 crores. In the subsequent year i.e. 1970-71, 24 manufacturing enterprises exported products worth Rs. 96.34 crores. This rising trend, however, suffered a set back in 1971-72 when the value of exports was Rs. 65.76 crores only, the percentage decline on value of exports over 1970-71 being 31 per cent. The Committee, however, note that this decline was mainly due to restriction imposed by Government on export of steel because of shortage of steel in the domestic market. Consequently, the value of exports of Hindustan Steel Ltd. had declined from Rs. 53 crores in 1970-71 to Rs. 15 crores in 1972-73. The Committee hope that before long the capacity of Bokaro Steel Plant will be expanded and it will be possible for India to resume export of steel in full measure.
35.	6.12	The Committee find that while the share of the public sector in the import trade has gone up to 3|4th of total imports, its share in the export trade is only 1|5th of the total exports. This point to the need for redoubling the efforts to increase exports. The Committee recommend that Public Undertakings especially those which have idle productive capacity should explore the possibility of taking up the manufacture of products which have export potential. Needless to say

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		the Public Undertakings can increase their competitiveness in the field of export by reduction in cost and maintaining excellence in quality in consumer appeal of their products. The Committee suggest that there should be close coordination between the Ministry of Commerce which is responsible for foreign trade, the administrative ministries concerned and the project authorities so as to make full use of the potentialities of public undertakings to step up exports and earn valuable foreign exchange. The Committee also like Government to study closely the trends of demands in foreign markets so that where long-term opportunities exist, the manufacturing capacities could be developed in the public sector.
36.	6.16	The Committee appreciate the attempts being made by public sector enterprises for earning foreign exchange by exports and other ways. They find that foreign exchange earnings by exports made by public sector enterprises have increased from Rs. 95.39 crores in 1967-68 to Rs. 191.136 crores in 1971-72, an increase of 100 per cent in a period of 5 years. During the same period foreign exchange earning other than through exports increased from Rs. 65.07 crores in 1967-68 to Rs. 102.57 crores in 1971-72, an increase of 57 per cent. The Committee hope that the tempo of foreign exchange earnings can be accelerated in the years to come with better production performance, rationalisation of prices competitive to similar products from other countries, improvement in quality and wider range of product-mix to compete in the international market and undertaking export promotion drives.
37.	6.24	It would be evident that efforts being made by leading public undertakings like the Bharat

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		Heavy Electricals Ltd., Heavy Electricals (India) Ltd., Hindustan Antibiotics Ltd., Heavy Engineering Corporation Ltd., Hindustan Shipyard Ltd., Hindustan Steel Ltd., etc. have resulted in considerable foreign exchange savings. The Committee note that these savings have been achieved mainly by taking up in the country itself, the production of products, materials, machinery equipment and components, etc., which were being imported or by locating indigenous items for the imported ones. The Committee recommend that each Public Undertaking should set up an import substitution cell to give a clear direction to such efforts and to keep a watchful eye on the progress in import contents of products manufactured in the public sector. The Committee at the same time would like to stress that in the process of import substitution, the need for excellence in the quality of products should not be sacrified.
38.	7.5	The Committee consider that Air India and Shipping Corporation have performed a great national service by extending their operations to important international routes. The Committee would like Air India to keep up its high tradition as a world carrier and also take effective measures to see that it not only retains, but wins increasing percentage of tourist traffic particularly to this country. The Committee have examined in depth the working of the Indian Airlines and given concrete recommendations for the Corporation to expand its services and gear up to meet the challenging task of air travel in the coming five to ten years. In regard to the Central Road Transport Corporation, the Committee invite attention to their

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		recommendation in para 7.6 of their Sixty-Second Report (Fourth Lok Sabha) wherein it was stated that as the Ministry had failed to put the Central Road Transport Corporation on a commercially sound footing during the course of last six years and as the Corporation had practically consumed the entire investment, it should be wound up, as early as possible. The Committee recommend that Government should take an early decision in this matter.
39.	7.8	The Committee find that the Food Corporation of India has emerged as the biggest trading enterprise in the public sector. Its turn over was Rs. 1641.61 crores in 1971-72. The Committee would like the Food Corporation to take concerted measures to reduce its handling charges so that the benefit of State procurement can be passed on to the consumer without involving an unduly high subsidy from the State Exchequer to cover administrative and handling charges, storage and transit etc.
40.	7.17	The Committee find that though 60 per cent of production of Small Scale Industries was of Engineering goods. STC's export was only about 60 per cent of total small scale industries export. There is also an impression of high margin of profit being charged by the Corporation in its import and export trade. While the Committee are glad at the dominant role which State Trading Corporation has come to assume for canalization of export and import trade, they feel that the Corporation should win the confidence of the users in the country by offering goods and equipment at reasonable rates without any undue margin of profits. It should also strive to keep up and enhance the confidence of the importing

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		countries by adhering to the time schedule for delivery, guaranteed quality and charging competitive prices.
41.	7.21	The Committee feel that with the growth of affluence in the developed countries, a distinct preference is growing for all goods which have the artistry and merit of handicrafts and handlooms. Since our country has a great tradition and experience of turning out exquisite handlooms and handicrafts, the Committee feel that this potentiality should be put to effective use by properly encouraging the production of handicrafts and handlooms goods to earn valuable foreign exchange.
42.	7.22	The Committee find that while the imports through Minerals and Metals Trading Corporation have been increasing, the exports registered a fall in 1971-72 as compared to the preceding year. The Committee recommend that Minerals and Metals Trading Corporation should redouble its efforts to step up its exports, particularly of iron ore and manganese ore, etc.
43	7.23	The Committee feel that with the expansion of capacity for turning out engineering goods in the country, the potentiality for exports would keep on rapidly increasing. In order to earn valuable foreign exchange as also provide experience of international markets and economies of large scale production, the Projects and Equipment Corporation of India should leave no stone unturned to step up the exports by a systematic and intelligent study of World's requirements and potential demand for goods. The Committee also feel that now that India has developed capacity for setting up turnkey projects, particularly in textile mills, cement plants, Govern-

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		ment may consider forming a consortium to avail of the promising opportunity available in the Middle East and other developing countries for setting up such plants.
44.	7.38	The Committee are happy to note that the resources generated by the Life Insurance Corporation are largely being invested in Government securities and are also being utilised for Public utility like provision of finance for own your houses scheme policy holders and such public utility services as housing, water supply electrification etc. The Committee are, however, of opinion that the investment of 11 per cent resources of the Corporation at present going into private sector enterprises in the form of shares and debentures, the financial aspect of it may be examined and suitable steps taken for a profitable diversion in this direction.
45.	7.47	The Committee find that though the Engineers India Ltd. was incorporated as back as March, 1965, it has failed to grow into a full-fledged, self-reliant Consultancy Organisation in the public sector even in the limited sphere of petrochemicals and fertilizer industries. Its dependence on foreign companies is evident from the fact that it has entered into agreements with foreign countries for Heat Exchangers, Trays and Fired Heaters. The Committee attach the highest importance to achievement of self-reliance at the earliest in chemical industries as these occupy a place of strategic and vital importance in present day economy. The Committee are, however, not very clear about the role of Engineers India Ltd. in the field of technology and engineering for fertiliser industry *vis-a-vis* the expertise developed

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		by the Fertilizer Corporation of India. The Committee are also not very clear as to what role these two organisations both of which are in the public sector are going to play in the Government's declared intention of having a crash programme for setting up fertilizer industry in the Fifth Plan in the country. The Committee would like Government to examine this matter in all its aspects and lay down a clear policy so as to obviate any controversy developing between these two organizations and for ensuring that the best technological and engineering skills are employed in the larger national interest for developing fertilizer manufacturing capacity in the country in the shortest time in the Fifth Plan.
46.	7.60	The Committee feel that with the progress made in agricultural production in the country the warehousing for storage of foodgrains and other commodities assumes great importance. The Committee feel that there should be close coordination between the Food Corporation of India and the Central Warehousing Corporation as well as the State Warehousing Corporations and other State sponsored organisations dealing with storage to avoid duplication in building and providing storage facilities. The Committee need hardly emphasise that these warehousing facilities should first and foremost become available for the use of State and the producers in the field and cooperatives and should not be allowed to be exploited by the intermediaries. The Committee would also suggest that the Central Warehousing Corporation should give a significant lead in developing storage facilities which are most modern and most competitive in charges so as to encourage development of new lines of trade and industry, e.g. refrigerated foods, fruits etc.
47.	8.9	The Committee find that the number of profitable concerns in the public sector has gone up

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		from 52 in 1970-71 to 58 in 1971-72. The Committee also find that number of undertakings in whose case, return on investment (i.e. gross profit as percentage to capital employed) was more than 25 per cent has gone up from 2 in 1967-68 to 10 in 1971-72. While some improvement in general is thus discernible the Committee find from the overall working results of the Public Sector Undertakings that the overall net loss of Rs. 2.86 crores in 1970-71 has risen to Rs. 18.96 crores in 1971-72. Such losses, apart from being a drain on the country's resources cloud the real achievements of the public sector notably, the development of basic and strategic industries in the country, achievement of self-reliance, development of know-how, increase in employment potential etc. The Committee agree with the view that in assessing the performance of public sector undertakings the financial profit or loss should not be the sole criterion and the contribution to the Public Exchequer should be given due weight. The Committee hope that with the introduction of the new system of conducting a six monthly review of the working results by Government and submission of a Report thereon to the Cabinet would enable the Central Government/Public Undertakings to fathom the underlying reasons for low profitability in each enterprise and would enable the Government and the public undertakings concerned to take timely remedial measures to improve the profitability of the undertaking. The Committee also hope that the assurances given to them by the Finance Secretary during evidence that Indian Drugs and Pharmaceuticals Ltd. would break even in 1972-73, Hindustan Steel Ltd in 1973-74 and Heavy

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		Engineering Corporation Ltd. and the Mining and Allied Machinery Corporation Ltd. in 1975-76 would be realised.
48.	8.15	The Committee note with satisfaction that the total internal resources (i.e. depreciation plus retained profits) generated by public undertakings rose from Rs. 104 crores in 1967-68 to 215 crores in 1971-72. Besides this some of the major public undertakings like Hindustan Steel Ltd., Heavy Engineering Corporation, Fertilizer Corporation of India have been making substantial contribution to the national Exchequer by way of taxes, central excise duty, interest on loans, etc. which during the last 5 years (1967-68 to 1971-72) amounted to Rs. 529.66 crores from these three undertakings alone. The Committee also hope that public Enterprises will in due course be generating more surpluses to be deployed for internal expansion.
49.	8.19	The Committee note that Government have recently reviewed the capital structure of a number of undertakings and have taken measures to see that the equity debt ratio is 1:1. Besides, special consideration has also been given to the investment made by the Public Undertakings on township and other developmental activities involving social obligations as an employer. The Committee understand that in Britain the capital structure of nationalised industries with reference to the gestation period, etc. had been reviewed. The Committee have no doubt that Government will take all aspects into consideration while reviewing the capital structure of the Public Undertakings particular-

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		ly those which have a long gestation period and are serving basic developmental needs and are not allowed freedom of princing policy.
50	8.25	The Committee note that the pricing policy guide lines issued by the Bureau of Public Enterprises in 1968 continue to remain in operation. While these guidelines set out the position in correct perspective, the Committee have come across cases where the price was not firmly settled e.g. the price paid for iron ore to National Mineral Development Corporation, with the result that the Public Undertaking had no clear picture how it was faring financially. The Committee feel that Government should ensure that prices are fixed within a time schedule to be prescribed in this behalf so as to remove all ambiguity and uncertainty which militate against efficient functioning of an organisation as well as sound financial management.
51.	9.7	While the growth of investment in the public sector has to some extent helped to reduce the concentration of economic power in private hands, there is yet a great leeway to be made in realisation of this objective and making the public sector an effective instrument for preventing inequilities in income and wealth. So far even the derivative advantages accruing from the setting up of public enterprises seem to have mainly gone to a small section of the population like contractors, distributors, suppliers of raw materials and the big industries and the benefits have not proportionately percolated to the lower sections of the community. This trend needs to be checked. The Committee feel that, apart from the measures already being taken by Government in bringing about changes in the structural content of the corporate sector, there is

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		need to pursue a deliberate policy of preferring public sector agencies for construction, supply of products and materials and distribution. They would recommend that Government should examine this problem with a view to removing deficiencies, if any, and devising suitable measures for an early realisation of the objective.
52.	9.12	The Committee find that in pursuance of the Industrial Policy Resolution and consistent with the demands of efficiency, the dispersal of Public Sector enterprises in various parts of the country have made significant contribution to developing some of the traditionally backward areas, like Bhilai, Roorkela, Bokaro, Assam, Ranchi. Development potential is also being created in several other areas like Konarak, Khajurao, Aurangabad, Belgaon, Gulmarg. The Committee hope that the good work initiated in this direction will be continued.
53.	9.20	The Committee find that in the process of development of ancillary industries so far only 12 public undertakings had set up 139 new ancillary units and the progress has not been uniform. There is tremendous scope for setting up more ancillary industries around giant public sector enterprises. The Committee feel that development of ancillary and small scale industries around public sector enterprises should be planned along with the major industry itself and there should be a clear understanding of the types of products to be obtained through the small scale sector for the use of major industry. The Committee are of the view that such an arrangement can go a long way in solving the gigantic problem of unemployment, removing regional disparities and tackling the problem of eradication of poverty. The Committee were

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		given to understand by the Federation of Small Industries of India during the evidence that small industries in India were facing numerous difficulties including the availabilities of steel, raw material and component, in adequate quantities and at a reasonable price.
54	9.21	The Committee recommend that Government should draw up in consultation with Development Commission, Small Scale Industries, a comprehensive scheme for integration of small scale sector with the public sector. The scheme should aim at optimum level of production by the public sector, strive to reduce the cost of production, meet the requirements of small scale sector in full after a thorough assessment of their needs and providing technical guidance to the small scale sector in full after a thorough assessment of their needs and providing technical guidance to the small scale sector. The Committee feel that if this objective is pursued in letter and spirit it would lead to an help in widening the area of industrialisation and in creating a climate which would make for productive employment. The Committee would like public sector units to make a specific mention of the role they have played in developing and sustaining small scale industrial units to feed their manufacturing programme in their Annual Reports.
55.	9.27	The Committee are glad to note that public sector enterprises have been able to generate employment to the extent of 6 to 8 per cent each year. As on 31st March, 1972, the total staff strength of these enterprises stood at 7 lakhs and the total wage bill (including other benefits) at Rs. 415.01 crores for the year 1971-72. The Com-

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		mittee feel that if the public sector enterprises work at optimum capacity and after consolidating it enter into new fields, they can help a lot in relieving unemployment in the country.
56.	9.33	The Committee find that during the years 1968-69, 1969-70, 1970-71 and 1971-72, public sector enterprises incurred expenses of Rs. 25.1, 28.7, 34.4 and 34.3 crores respectively on maintenance of town-ships for their employees and on other social over-heads like education, medical facilities, transport subsidy etc. The Committee regard this expenditure as a commendable effort of public enterprises. The Committee hope that such social welfare schemes should be more and more taken in hand keeping in view the availability of resources.
57.	10.17	The Committee feel that in the interest of improving performance, Public Sector Undertakings could with advantage make use of modern productivity and management techniques like maintaining progressive and comparative productivity indices.
58.	10.18	The Committee regard phsyological factors in an enterprise to be as much important for productivity as financial ones. The Committee recommend that apart from monetary incentives that are given by Managements, Government should institute schemes of public recognition of public sector enterprises who set up new records of productivity.
59.	11.13	The Committee are glad to note that the main thrust of the Science and Technology Plan being prepared for the first time in the country would be to reduce dependence on foreign technologies and to develop self-reliance. They find that some

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		infra-structure for carrying out applied research is already available in the public sector.
60.	11.14	The Committee also stress that an integrated and well thought-out arrangement should be developed for meaningful coordination between the research organisation, particularly in Public sector and Government, in the interest of making a concerted effort to find workable and practical solutions to the production problems in the shortest time. The Committee feel that basic and fundamental research and development which calls for heavy investment with long gestation periods should be the responsibility of specialised institutions already established and research institutions should establish, close communication between themselves and potential users of Research and Development of which Public Undertakings form a significant part.
61.	11.24	The Committee find that some progress has been made towards achievement of self-reliance in technology in areas like fertilizers, oil exploration, steel, etc. but in other areas the country is still largely dependent on foreign technical collaboration. The Committee hope that Development of indigenous know-how will be undertaken mcre vigorously and dependence on foreign collaboration progressively reduced.
62.	12.18	The Committee are glad to find that public sector undertakings are showing keen awareness of the need for standardisation and quality control. Whereas scope for improvement in these directions is always there, the Committee hope that the public sector undertakings would continue to devote unrelaxed attention to achieving a situation in which their trade marks or brand names

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		become synonymous with high quality. The Committee also hope that some of the undertakings where the percentage of rejections is high will take immediate steps to improve standardisation and quality control.
63.	13.13	While the success of the Indian Drugs and Pharmaceuticals Ltd. in bringing down the cost of production is laudable, the Committee are not happy at the present trend of rising cost of production in various plants and its going wide off the mark from stipulations made in the Detailed Project Reports in certain undertakings. Management efficiency lies in reducing the cost of production and achieving optimum results with minimum use of resources. They would like all the Boards to seriously address themselves to the task of keeping down costs by economising in the use of manpower and resources and having under constant review their forecasting and decision-making techniques, manpower budgeting, extent of work-study, scope for operational research, management control systems, methods of investment appraisal, inventory control.
64.	13.14	The administrative Ministries should also keep a close watch over the costs of production at various undertakings and take steps to develop indicators of performance which would provide them regular and systematic information about the undertakings success in controlling costs and increasing efficiency.
65	14.10	The increasing pace of industrialisation in the country calls for a scientific control of inventory. The Committee find that while 17 public undertakings plants had achieved significant success in bringing down the level of inventory in

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		terms of months consumption, the inventory had gone up in the case of 9 public undertakings. The Committee feel that the importance of inventory control and the scope it offers for rationalisation, have not been realised by a good number of public undertakings who continue to carry heavy inventories representing consumption levels of one year and more. The Committee feel that the stores organisation should receive special attention of the Management right from the inception so as to make sure that machines, equipment and spares are not ordered in excess of the requirements as has happened in several instances. It should not be too difficult to work out the minimum and the maximum levels for stores equipment in the light of experience available in the undertaking or in comparable organisations. In this connection, the Committee note the initiative taken by the Bureau of Public Enterprises in reviewing inventory management in a number of undertakings and laying down broad guidelines. The Committee feel that if these guidelines are implemented in letter and spirit, it should be possible to effect a great deal of improvement. The Committee suggest that study should be made of slow-moving and non-moving stores in order to identify the factors which are responsible for such a situation to arise.

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